



16 June 2021

ASIC registration of Scheme Booklet

APN Property Group (ASX:APD, “**APN**”) refers to its announcement on 15 June 2021 regarding:

- the proposed acquisition of APN by a subsidiary of Dexu (ASX:DXS, “**Dexu**”) by way of scheme of arrangement and a trust scheme (“**Schemes**”); and
- the orders made by the Supreme Court of Victoria approving the convening of meetings of APN securityholders to consider and vote on the Schemes (“**Scheme Meetings**”) and the despatch of an explanatory statement and notices of Scheme Meetings (together, the “**Scheme Booklet**”).

APN is pleased to confirm that the Australian Securities and Investments Commission has now registered the Scheme Booklet. A copy of the Scheme Booklet is attached to this announcement, including the Independent Expert’s Report from KPMG Financial Advisory Services (Australia) Pty Ltd. The Independent Expert’s Report concludes that the Schemes are fair and reasonable and therefore in the best interests of APN securityholders, in the absence of a superior proposal.

Securityholders who have elected to receive notifications electronically will receive an email with links to where they can download the Scheme Booklet and lodge their proxy online. Securityholders who have not made such an election will be mailed a printed copy of the Scheme Booklet. An electronic version of the Scheme Booklet will also be available for viewing and downloading online at APN’s website (<https://apngroup.com.au/>).

The company Scheme Meeting is scheduled to be held at 10:00am (Melbourne time) and the trust Scheme Meeting is scheduled to be held at 10:10am (Melbourne time) (or, if later, immediately following conclusion of the company Scheme Meeting) on 27 July 2021. In the interests of the health and safety of securityholders, employees and other stakeholders in the context of the coronavirus (COVID-19) pandemic, and taking into account restrictions on physical gatherings, the Scheme Meetings will be held virtually via APN’s online platform at <https://agmlive.link/APDScheme>. APN securityholders, authorised proxies, attorneys and corporate representatives will be able to watch, ask questions and vote through this online platform.

Please monitor APN’s website and ASX announcements where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meetings.

All APN securityholders are encouraged to vote either by attending the Scheme Meetings in person (by attending the Scheme Meetings online and voting via the online platform) or by appointing a proxy, attorney or corporate representative to attend the meetings and vote on their behalf.

The directors of APN unanimously recommend that APN securityholders vote in favour of the Schemes, subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APN securityholders and there being no superior proposal. Subject to those same qualifications, each director intends to cause all APN securities in which they have a relevant interest to be voted in favour of the Schemes.

APN encourages securityholders to read the Scheme Booklet in its entirety before deciding whether or not to vote in favour of the Schemes at the Scheme Meetings. APN also encourages securityholders to note key events and indicative dates as set out in the Scheme Booklet.

If, after reading the Scheme Booklet, securityholders have further questions in relation to the Schemes or the Scheme Booklet, they can contact the APD Securityholder Information Line on 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia) any time between 8:30am and 5:30pm (Melbourne time) on Monday to Friday (excluding public holidays).

This announcement was authorised to be given to the ASX by the Company Secretary of APN Property Group Limited and APN RE Limited.

ENDS

For further information, please contact:

Tim Slattery

Chief Executive Officer

T +613 8656 1000

E tim.slattery@apngroup.com.au

Joseph De Rango

Chief Financial Officer

T +613 8656 1000

E jderango@apngroup.com.au

About APN Property Group

APN Property Group (ASX code: APD) is a specialist real estate investment manager. Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutional and retail investors. APN's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

www.apngroup.com.au

Scheme Booklet

in relation to the proposed acquisition of APN Property Group by Bidder (an entity controlled by Dexus)

VOTE IN FAVOUR

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE RESOLUTIONS
TO APPROVE THE SCHEMES SUBJECT TO THERE BEING NO SUPERIOR PROPOSAL

This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the Schemes. If you are in any doubt about how to deal with this document, you should contact your broker or financial, tax or legal adviser immediately.

Financial Adviser

GRANT SAMUEL



Legal Adviser



If you have any questions in relation to this Scheme Booklet or the Schemes, you should call the APD Securityholder Information Line on 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia) any time between 8:30am and 5:30pm (Melbourne time) on Monday to Friday (excluding public holidays).

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Important notices

General

Nature of this document

This Scheme Booklet is important and requires your immediate attention. You should read it carefully and in its entirety before deciding how to vote at the Scheme Meetings. If you are in doubt as to what you should do, you should consult your legal, financial or other professional adviser.

This Scheme Booklet explains the terms of the proposed acquisition of all APD Securities by Bidder by means of the APN PG Scheme (the form of the APN PG Scheme is set out in Appendix D of this Scheme Booklet) and the Trust Scheme (the form of the APD Trust Supplemental Deed, which will give effect to the Trust Scheme, is set out in Appendix E of this Scheme Booklet).

This Scheme Booklet details how the Schemes will be considered and implemented if all the Conditions to the Schemes are satisfied or, if permitted, waived. It is not a disclosure document for the purposes of Chapter 6D or Part 7.9 of the Corporations Act.

If you have sold all your APD Securities, please disregard this Scheme Booklet.

Defined terms

Capitalised terms used in this Scheme Booklet are defined in the Glossary in Section 12 of this Scheme Booklet.

Investment decisions

The information in this Scheme Booklet does not constitute financial product advice. This Scheme Booklet (including the taxation implications summarised in Section 10 of this Scheme Booklet) does not constitute tax advice. This Scheme Booklet has been prepared without reference to the investment objectives, financial and tax situation or particular needs of any APD Securityholder or any other person. This Scheme Booklet should not be relied on as the sole basis for any investment decision. Independent legal, financial and tax advice should be sought before making any investment decision in relation to your APD Securities.

Purpose of this Scheme Booklet

The purpose of this Scheme Booklet is to give APD Securityholders the information required to make an informed decision about whether to vote in favour of the Resolutions. This Scheme Booklet also provides information as is prescribed by law or is otherwise material to the decisions of APD Securityholders as to whether to vote in favour of the Resolutions.

The APN PG Scheme Meeting is scheduled to be held at 10:00am and the Trust Scheme Meeting is scheduled to be held at 10:10am (or, if later, immediately following conclusion of the APN PG Scheme Meeting) on 27 July 2021 via APD's online platform at <https://agmlive.link/APDScheme>. APD Securityholders, authorised proxies, attorneys and corporate representatives will be able to watch, ask questions and vote on the Resolutions through this online platform. Further details of how you can participate are set out in Section 6 of this Scheme Booklet. You should read this Scheme Booklet in full before deciding how to vote on the Resolutions.

The Schemes have advantages, disadvantages and risks which may affect APD Securityholders in different ways depending on their individual circumstances. As an APD Securityholder you should seek professional advice on your circumstances, as appropriate.

Preparation of and responsibility for this Scheme Booklet

APD has been solely responsible for preparing the APD Information. The information concerning APD and the intentions, views and opinions of APD and the APD Directors contained in this Scheme Booklet has been prepared by APD and is the responsibility of APD. Bidder, its Related Bodies Corporate and their respective directors, officers, employees and advisers have not verified any APD Information and do not assume any responsibility for its accuracy or completeness.

Bidder has been solely responsible for preparing the Bidder Information. The information concerning Bidder and the intentions, views and opinions of Bidder contained in this Scheme Booklet, has been prepared by Bidder and is the responsibility of Bidder. APD, its Related Bodies Corporate and their respective directors, officers, employees or advisers have not verified any Bidder Information and do not assume any responsibility for its accuracy or completeness.

The Independent Expert has prepared the Independent Expert's Report and takes responsibility for that report. APD, Bidder, and their respective Related Bodies Corporate and their respective directors, officers, employees and advisers do not take any responsibility for the Independent Expert's Report, except in the case of APD in relation to the information which it has provided to the Independent Expert. The Independent Expert's Report is set out in Appendix B of this Scheme Booklet.

Regulatory information and role of ASIC and ASX

This document is the explanatory statement for the proposed scheme of arrangement between APN PG and APN PG Scheme Participants for the purposes of section 412(1) of the Corporations Act and a comparable explanatory statement in respect of the Trust Scheme having regard to the Takeovers Panel Guidance Note 15: Trust Scheme Mergers. The form of the APN PG Scheme is set out in Appendix D of this Scheme Booklet and the form of the Trust Scheme is set out in Appendix E of this Scheme Booklet.

A copy of this Scheme Booklet (including the Independent Expert's Report) has been lodged with, and registered by, ASIC as required by section 412(6) of the Corporations Act on 16 June 2021. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with section 411(2) of the Corporations Act. ASIC has also been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act that ASIC has no objection to the APN PG Scheme. If ASIC provides that statement, then the statement will be produced to the Court at the Second Court Hearing.

Neither ASIC nor any of its officers take any responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been provided to ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

The fact that under section 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of APN PG Scheme Meeting or the fact that the Court has granted the First Judicial Advice that APN RE would be justified in convening the Trust Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed Schemes or as to how APD Securityholders should vote in respect of the Resolutions (which APD Securityholders must reach their own decisions on); or
- (b) has prepared, or is responsible for the content of, this Scheme Booklet.

Notice of Scheme Meetings

The Notice of APN PG Scheme Meeting and the Notice of Trust Scheme Meeting are set out at Appendix A of this Scheme Booklet.

The purpose of the Scheme Meetings is to consider and, if thought fit, pass the Resolutions which are required for the Schemes to become Effective.

To enable you to make an informed voting decision, further information about the Schemes is set out in the accompanying explanatory statement (for the purposes of section 412(1) of the Corporations Act and having regard to the Takeovers Panel Guidance Note 15: Trust Scheme Mergers) which, together with the Notice of APN PG Scheme Meeting and the Notice of Trust Scheme Meeting, forms part of this Scheme Booklet.

Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider:

- (a) whether to approve the APN PG Scheme, following the vote in respect of the APN PG Scheme at the APN PG Scheme Meeting; and
- (b) whether to grant the Second Judicial Advice, following the votes in respect of the Trust Scheme at the Trust Scheme Meeting.

The date of the Second Court Hearing to approve the Schemes is expected to be 4 August 2021. The hearing will be at 10:15am at the Supreme Court of Victoria (210 William Street, Melbourne, Victoria, 3000). If the Second Court Hearing is to be conducted virtually due to COVID-19 restrictions such that attendance in person is not permitted, dial-in details for the Second Court Hearing will be made available on APD's website as soon as reasonably practicable before the commencement of the Second Court Hearing.

Any APD Securityholder who wishes to appear may appear and be heard at the Second Court Hearing and may oppose the approval of the APN PG Scheme or the granting of the Second Judicial Advice. If you wish to appear in this manner, you must file with the Court and serve on APD a notice of appearance, in the prescribed form, together with any affidavit on which you wish to rely on. The notice of appearance and affidavit must be served on APD at its address for service at least one day before the Second Court Date.

The address for service for APD is: c/- APN Property Group, Level 30, 101 Collins Street, Melbourne VIC 3000, Australia (Attention: Chantal Churchill) (Email: cchurchill@apngroup.com.au).

Status of this Scheme Booklet

Section 708(17) of the Corporations Act provides that disclosure to investors under Part 6D.2 of the Corporations Act is not required for any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a meeting held due to an order made by the Court under section 411(1) of the Corporations Act. Accordingly, this Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act. It is also not a product disclosure statement lodged under Part 7.9 of the Corporations Act.

Note to APD Securityholders in foreign jurisdictions

This Scheme Booklet and the Schemes are subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. The financial information included in this Scheme Booklet is based on financial statements that have been prepared in accordance with Australian equivalents to International Financial Reporting Standards, which may differ from generally accepted accounting principles in other jurisdictions. No action has been taken to register or qualify this Scheme Booklet or any aspect of the Schemes in any jurisdiction outside Australia.

Forward-looking statements

This Scheme Booklet contains both historical and forward-looking statements.

The forward-looking statements in this Scheme Booklet (including in the Independent Expert's Report) are not based on historical facts, but rather reflect the current views of APD or, in relation to the Bidder Information, Bidder, held only as at the date of this Scheme Booklet concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipated", "intending", "foreseeing", "likely", "should", "planned", "may", "estimated", "potential", or other similar words and phrases. Similarly, statements that describe APD or Bidder's objectives, plans, goals, intentions or expectations are or may be forward-looking statements. The statements in this Scheme Booklet about the impact that the Schemes may have on the results of APD's operations, and the advantages and disadvantages anticipated to result from the Schemes, are also forward-looking statements.

Any other forward-looking statements included in this Scheme Booklet and made by APD have been made on reasonable grounds and reflect its present intentions as at the date of this Scheme Booklet and may be subject to change. Although APD believes that the views reflected in any forward-looking statements in this Scheme Booklet (other than the Bidder Information) have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause either APD's, Bidder's or Dexus' actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. Deviations as to future results, performance and achievements are both normal and to be expected. APD Securityholders should note that the historical financial performance of APD is no assurance of the future financial performance of APD (whether or not the Schemes are implemented). APD Securityholders should review carefully all of the information included in this Scheme Booklet. The forward-

looking statements included in this Scheme Booklet are made only as of the date of this Scheme Booklet. None of APD, Bidder, Dexus or any of their respective directors, officers, employees and advisers give any representation, warranty, assurance or guarantee to APD Securityholders that any forward-looking statements will actually occur or be achieved. APD Securityholders are cautioned not to place undue reliance on such forward-looking statements.

Subject to any continuing obligations under law or the ASX Listing Rules, APD and Bidder, Dexus do not give any undertaking to update or revise any forward-looking statements after the date of this Scheme Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which such statement is based.

Forward-looking statements – Bidder Information

Any forward-looking statements included in the Bidder Information have been made on reasonable grounds. Although Bidder and Dexus believe that the views reflected in any forward-looking statements included in the Bidder Information have been made on reasonable grounds, no assurance can be given that such views will prove to have been correct. Additionally, statements of the intentions of Bidder reflect its present intentions as at the date of this Scheme Booklet and may be subject to change.

Presentation of financial information

Section 8.9 of this Scheme Booklet contains financial information relating to APD for the financial years ended 30 June 2019 and 30 June 2020, and for the half-year ended 31 December 2020.

The financial information in Section 8.9 of this Scheme Booklet is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only. The information has been extracted from the audited financial reports of APD for the financial years ended 30 June 2019 and 30 June 2020, and from the reviewed financial report for the half-year ended 31 December 2020.

Privacy and personal information

APD and Bidder may need to collect personal information in connection with the Schemes.

The personal information may include the names, contact details and details of holdings of APD Securityholders, together with contact details of individuals appointed as proxies, attorneys or corporate representatives for the purposes of the Scheme Meetings. Personal information is held on the public register in accordance with Chapter 2C of the Corporations Act. The primary purpose of the collection of personal information is to assist APD and Bidder to conduct the Scheme Meetings and implement the Schemes. The information may be disclosed to APD, Bidder and their respective Related Bodies Corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider(s) to the extent necessary to effect the Schemes.

APD Securityholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them. APD Securityholders may contact the Registry if they wish to exercise such rights.

If the information outlined above is not collected, APD may be hindered in, or prevented from, conducting the Scheme Meetings or implementing the Schemes. APD Securityholders who appoint an individual as their proxy, attorney or corporate representative to vote at the Scheme Meetings should inform that individual of the matters outlined above.

External websites

Content on the websites of APD and Dexus do not form part of this Scheme Booklet, unless expressly stated otherwise. Accordingly, APD Securityholders should not rely on any such content in making their decision as to whether to vote in favour of the Resolutions.

For the avoidance of doubt, the Scheme Meetings Online Guide does not form part of this Scheme Booklet.

Interpretation

Capitalised terms used in this Scheme Booklet are defined in the Glossary in Section 12 of this Scheme Booklet. Some of the documents reproduced in the Appendices to this Scheme Booklet have their own defined terms, which are in some cases different from those in the Glossary in Section 12 of this Scheme Booklet.

Any diagrams, charts, graphs and tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in diagrams, charts, graphs and tables is based on information available at the date of this Scheme Booklet. All numbers are rounded, unless otherwise indicated. Hence, the actual numbers may vary from those included in this Scheme Booklet.

The financial amounts in this Scheme Booklet are expressed in Australian currency, unless stated otherwise. A reference to dollars, \$, A\$ or cents is to Australian currency, unless otherwise stated. All times referred to in this Scheme Booklet are references to times in Melbourne, Victoria, Australia, unless stated otherwise.

Date

This Scheme Booklet is dated 16 June 2021.

Supplementary information

APD will issue supplementary information to this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Effective Date:

- (a) a material statement in this Scheme Booklet is or becomes false or misleading in a material respect;
- (b) a material omission from this Scheme Booklet;
- (c) a significant change affecting a matter included in this Scheme Booklet; or
- (d) a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to consultation with Bidder and the obtaining of any relevant approvals, APD may circulate and publish any supplementary document by:

- (a) making an announcement to ASX;
- (b) placing an advertisement in a prominently published newspaper which is circulated generally or accessible throughout Australia;
- (c) posting the supplementary document to APD Securityholders at their registered address as shown in the Security Register, or by email for APD Securityholders who have elected to receive communications electronically; or
- (d) posting a statement on APD's website apngroup.com.au, as APD, in its absolute discretion, considers appropriate.

1. Chairman's letter

16 June 2021

Dear APN Property Group securityholders,

On behalf of the Board of Directors of the APN Property Group (**APD**), I am pleased to provide you with this Scheme Booklet, which contains important information for your consideration about the proposed acquisition of APD by Dexus Nominees Pty Limited (**Bidder**) (an entity controlled by Dexus).

PROPOSED SCHEMES

On 11 May 2021, APD announced that it had entered into a Scheme Implementation Deed with Bidder and Dexus Funds Management Limited (**Dexus RE**), being entities owned by Dexus, for Bidder to acquire 100% of APD Securities. The proposed acquisition will be effected via a company scheme of arrangement and a trust scheme, subject to APD Securityholder and Court approval and the satisfaction or waiver of certain other Conditions.

TOTAL CASH VALUE

Under the Scheme Implementation Deed, Bidder agreed to pay 91.5 cents per APD Security pursuant to the Schemes, to be reduced by the cash amount of any distribution declared by APD prior to 30 September 2021 (up to 1.5 cents per APD Security). On 11 June 2021, APD announced an interim distribution of 1.5 cents per APD Security (**Permitted Distribution**). Accordingly, the Scheme Consideration payable under the Schemes is 90.0 cents per APD Security. The Permitted Distribution will be paid on 30 July 2021 to the APD Securityholders on the Security Register at 30 June 2021 (**Permitted Distribution Record Date**). The Permitted Distribution is not conditional on the Schemes and will be paid irrespective of whether the Schemes proceed.

Accordingly, if the Schemes proceed, APD Securityholders on the Security Register at the Permitted Distribution Record Date and the Scheme Record Date will receive a total of 91.5 cents per APD Security, comprising both the Permitted Distribution and the Scheme Consideration (**Total Cash Value**). Any APD Securityholder that acquires APD Securities after the Permitted Distribution Record Date but before the Scheme Record Date will receive 90.0 cents per APD Security if the Schemes proceed.

The Total Cash Value of 91.5 cents represents an attractive premium over trading prices of APD Securities on ASX prior to the announcement of the proposed Schemes:

- 50% to the close of trading of APD Securities on 10 May 2021 of 61.0 cents per security (being the last trading day prior to the announcement of the Scheme Implementation Deed);
- 64.3% to the 1-month VWAP¹ of APD Securities of 55.7 cents per security; and
- 65.8% to the 3-month VWAP² of APD Securities of 55.2 cents per security.

The Total Cash Value of 91.5 cents per APD Security implies a fully diluted market capitalisation for APD of approximately \$320 million³.

UNANIMOUS RECOMMENDATION OF APD DIRECTORS

Your Directors have carefully considered the advantages and disadvantages of the Schemes, and unanimously recommend that APD Securityholders vote in favour of the Resolutions, subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal.

1 VWAP based on market trading volume and value up to and including 10 May 2021, being the last trading day prior to the announcement of the Scheme Implementation Deed.

2 VWAP based on market trading volume and value up to and including 10 May 2021, being the last trading day prior to the announcement of the Scheme Implementation Deed.

3 Total diluted securities of 349,638,821 includes 20,090,778 unvested APD Rights.

In recommending the Schemes, the APD Board has had regard to all options available to APD to maximise securityholder value, including continuing its existing growth strategy as a standalone entity. Your Directors consider that the consideration under the Schemes represents compelling value and accelerates returns to APD Securityholders. The APD Board has also had regard to the significant premium to APD security prices before the announcement of the Schemes that the Total Cash Value delivers.

Reasons to vote in favour of the Resolutions are set out in detail in Section 4.2 of this Scheme Booklet. There are also reasons why you may choose to vote against the Resolutions which are set out in Section 4.3 of this Scheme Booklet.

The interests of APD Directors in relation to the Schemes are set out in Sections 8.14, 8.16 and 8.17 of this Scheme Booklet. In considering the Directors' recommendation, APD Securityholders may wish to have regard to the interests of the APD Directors in relation to the Schemes including that:

- I have a Relevant Interest in 24.7% of issued APD Securities, and that my related entities have granted Bidder a Call Option over APD Securities, equal in aggregate to 19.9% of issued APD Securities (for further details, refer to Section 9.8 of this Scheme Booklet);
- Tim Slattery has a Relevant Interest in 3.8% of issued APD Securities, and holds APD Rights in respect of 7,500,000 APD Securities. In accordance with the terms of the relevant APD Employee Share Schemes, all of these APD Rights would vest upon the Schemes becoming Effective (if they had not already vested in the ordinary course). Mr Slattery has agreed to the cancellation of his APD Rights in exchange for an amount equal to the Total Cash Value per APD Right less the issue price for the relevant APD Right, as described in Section 8.16.1.3 of this Scheme Booklet; and
- Howard Branchley has a Relevant Interest in 3.0% of issued APD Securities, Clive Appleton has a Relevant Interest in 1.5% of issued APD Securities and Danielle Carter has a Relevant Interest in 0.04% of APD Securities.

As at the date of this Scheme Booklet, your Directors' aggregate Relevant Interest in APD Securities is approximately 33.0%. Each of your Directors intends to cause all APD Securities in which they have a Relevant Interest to be voted in favour of each of the Resolutions, subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal.

INDEPENDENT EXPERT'S REPORT

Your Directors appointed KPMG Financial Advisory Services (Australia) Pty Ltd as the Independent Expert. **The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interests of APD Securityholders in the absence of a Superior Proposal.** The Independent Expert has assessed the full underlying value of APD at between 82 cents and 93 cents per APD Security (inclusive of a control premium). The Total Cash Value of 91.5 cents per APD Security is within (and at the upper end of) this valuation range.

The Independent Expert's Report is included as Appendix B of this Scheme Booklet.

HOW TO VOTE

The Schemes can only be implemented if they are approved by the Requisite Majorities of APD Securityholders, and if the APN PG Scheme is subsequently approved by the Court at the Second Court Hearing. The Schemes are also subject to certain Conditions.

Your vote is important in determining whether the Schemes proceed. If the Schemes are not approved at the Scheme Meetings by the Requisite Majorities of APD Securityholders, the Schemes will not be implemented, and you will not receive the Scheme Consideration.

The APN PG Scheme Meeting is scheduled to be held at 10:00am and the Trust Scheme Meeting is scheduled to be held at 10:10am (or, if later, immediately following conclusion of the APN PG Scheme Meeting) on 27 July 2021. In the interests of the health and safety of securityholders, employees and other stakeholders in the context of the coronavirus (COVID-19) pandemic, and taking into account restrictions on physical gatherings, the Scheme Meetings will be held virtually via APD's online platform at <https://agmlive.link/APDScheme>. APD Securityholders, authorised proxies, attorneys and corporate representatives will be able to watch, ask questions and vote on the Resolutions through this online platform. Please monitor APD's website and ASX announcements where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meetings.

If you do not wish to or are unable to attend the Scheme Meetings virtually, I encourage you to vote on the Resolutions by either completing the proxy form accompanying this Scheme Booklet and returning it in accordance with the instructions contained on the proxy form or by lodging your proxy online at the Registry's website www.linkmarketservices.com.au in accordance with the instructions there (as applicable) or by mobile device (see proxy form for further details) so that it is received no later than 10:10am on 25 July 2021.

Further information on how to vote is contained in the Notices of Scheme Meetings set out at Appendix A of this Scheme Booklet and the Scheme Meetings Online Guide (which has been released to the ASX and will be available at <https://apngroup.com.au/>).

FURTHER INFORMATION

This Scheme Booklet sets out important information relating to the Schemes, including the reasons for your Directors' recommendation and the Independent Expert's Report. It also sets out some reasons why you may wish to vote against the Resolutions.

I encourage you to read this Scheme Booklet carefully and in its entirety. You should also seek independent legal, financial, tax or other professional advice before making an investment decision in relation to your APD Securities.

If you have any questions regarding the Schemes or this Scheme Booklet you should contact the APD Securityholder Information Line on 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia) on Monday to Friday (excluding public holidays) between 8:30am and 5:30pm.

On behalf of the APD Board, I thank you for your ongoing support and I look forward to your participation at the Scheme Meetings.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chris Aylward', with a long horizontal flourish extending to the left.

Chris Aylward
Chairman
APN Property Group

2. Key dates

Unless expressly stated otherwise, all references in this Scheme Booklet to time relate to the time in Melbourne, Victoria, Australia.

Event	Date and time
First Court Date The date on which the Court made orders convening the Scheme Meetings and provided the First Judicial Advice	10:30am on 15 June 2021
Date of this Scheme Booklet	16 June 2021
Ex-dividend date for Permitted Distribution	29 June 2021
Permitted Distribution Record Date To determine entitlements to the Permitted Distribution	30 June 2021
Last time and date for proxy forms Last time and date for proxy forms or powers of attorney to be received by the Registry for the Scheme Meetings	10:10am on 25 July 2021
Eligibility to vote Time and date for determining eligibility to vote at the Scheme Meetings	10:10am on 25 July 2021
Scheme Meetings - APN PG Scheme Meeting - Trust Scheme Meeting	- APN PG Scheme Meeting: 10:00am - Trust Scheme Meeting: the later of (i) 10:10am; and (ii) immediately following the APN PG Scheme Meeting on 27 July 2021
Permitted Distribution payment date Payment date for the Permitted Distribution	30 July 2021
If the Resolutions are approved by APD Securityholders at the Scheme Meetings:	
Event	Date and time
Second Court Date APD to apply for Court orders approving the Schemes and to grant the Second Judicial Advice	10:15am on 4 August 2021
Effective Date Court orders to be lodged with ASIC, APD Trust Supplemental Deed to take effect, announced on ASX Trading in APD Securities on ASX to be suspended from close of trading	4 August 2021
Scheme Record Date Scheme Record Date to determine entitlements to Scheme Consideration	6 August 2021
Implementation Date Scheme Consideration to be paid to Scheme Securityholders on the Implementation Date	13 August 2021

Please note that all of the above times and dates are indicative only and subject to change. APD may vary any or all of these dates and times and will provide reasonable notice of any such variation. Certain times and dates are conditional on the approval of the Schemes by APD Securityholders and, where applicable, by the Court. Any changes will be announced by APD to ASX.

3. Overview of the Transaction

What is the Transaction and what are the Schemes?

- The Transaction is a proposal from Bidder, an entity controlled by Dexus, to acquire 100% of the APD Securities by way of the Schemes.
- There are two Schemes, because APD Securities comprise an APD Share stapled to an APD Trust Unit. The Transaction will be effected via two interdependent Schemes, as follows:
 - the APN PG Scheme, being a company scheme of arrangement between APN PG and APN PG Scheme Participants, for the transfer of all of the APD Shares to Bidder; and
 - the Trust Scheme, an arrangement under which all of the APD Trust Units will be transferred to Bidder, facilitated by amendments to the APD Trust Constitution as set out in the APD Trust Supplemental Deed.
- If the Schemes are implemented:
 - Bidder will acquire all of the APD Securities; and
 - the Scheme Securityholders will be entitled to receive the Scheme Consideration from Bidder, being 90.0 cents for each APD Security held by them as at the Scheme Record Date.
- In addition to the Scheme Consideration, APD Securityholders on the Security Register at the Permitted Distribution Record Date will receive the Permitted Distribution on 30 July 2021, being 1.5 cents per APD Security held by them as at the Permitted Distribution Record Date.

4. Key considerations relevant to your vote

Section 4.2 of this Scheme Booklet provides a summary of some of the reasons why the APD Board unanimously recommends APD Securityholders vote in favour of the Resolutions. Section 4.2 of this Scheme Booklet should be read in conjunction with Section 4.3 of this Scheme Booklet, which sets out reasons why APD Securityholders may wish to vote against the Resolutions. You should read this Scheme Booklet in full, including the Independent Expert's Report, before deciding how to vote at the Scheme Meetings. APD Securityholders should seek professional advice on their particular circumstances, as appropriate. While the APD Directors acknowledge the reasons to vote against the Resolutions, they believe the advantages of the Schemes significantly outweigh the disadvantages.

4.1 Summary of reasons why you might vote for and against the Resolutions

Reasons to vote in favour of the Resolutions

- ✓ Your APD Directors unanimously recommend that you vote in favour of the Resolutions subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal
- ✓ The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interests of APD Securityholders in the absence of a Superior Proposal
- ✓ The Total Cash Value represents a significant premium to the market price of APD Securities on ASX prior to the announcement of the Transaction on 11 May 2021
- ✓ The all cash consideration provides APD Securityholders with certainty of value and the opportunity to realise their investment for cash, avoiding the uncertainties and risks associated with APD's business
- ✓ The Schemes are subject to limited conditions
- ✓ Since the announcement of the Schemes, no Superior Proposal has emerged
- ✓ APD's security price is likely to fall significantly if the Schemes are not implemented and in the absence of a Superior Proposal
- ✓ No brokerage will be payable by you for the transfer of your APD Securities under the Schemes

Potential reasons to vote against the Resolutions

- ✗ You may disagree with the APD Directors' unanimous recommendation and the conclusion of the Independent Expert, and believe that the Schemes are not in your best interests
- ✗ You may prefer to directly participate in the future financial performance of APD's business
- ✗ You may find it difficult to identify or invest in an alternative business with similar characteristics to APD
- ✗ You may consider that there is the potential for a Superior Proposal to emerge
- ✗ The tax implications of the Schemes may not be suitable to your financial circumstances or position

4.2 Reasons to vote in favour of the Resolutions

4.2.1 Your APD Directors unanimously recommend that you vote in favour of the Resolutions subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal

Your Directors unanimously recommend that, subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal, you vote in favour of the Resolutions at the Scheme Meetings.

Each of your APD Directors intends to vote in favour of each of the Resolutions. They intend to do so by causing all APD Securities in which they have a Relevant Interest to be voted in favour of the Resolutions at the Scheme Meetings (subject to the same qualifications set out above).

In reaching their recommendation, your Directors have assessed the Schemes (including the Scheme Consideration) having regard to the reasons to vote in favour of, or against, the Resolutions, as set out in this Scheme Booklet. Your Directors consider that the consideration under the Schemes represents compelling value and accelerates returns to APD Securityholders. The Transaction was agreed after negotiation by your Directors to maximise value for APD Securityholders.

4.2.2 The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interests of APD Securityholders in the absence of a Superior Proposal

Your Directors appointed KPMG Financial Advisory Services (Australia) Pty Ltd to prepare an Independent Expert's Report, including an opinion as to whether the Schemes are fair and reasonable and in the best interests of APD Securityholders.

The Independent Expert has concluded that the Schemes are fair and reasonable and therefore in the best interests of APD Securityholders in the absence of a Superior Proposal.

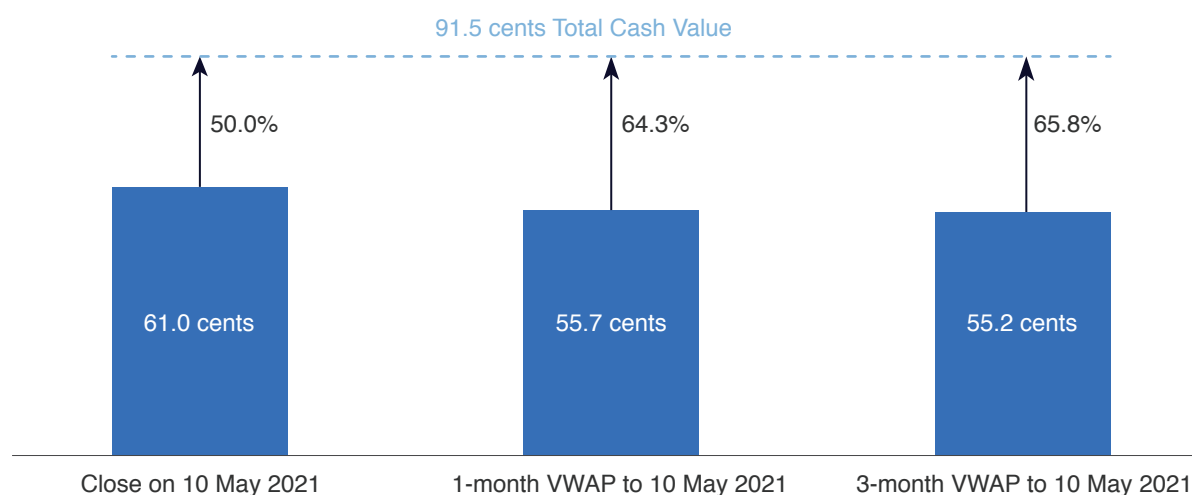
The Independent Expert has assessed the value of APD to be in the range of 82 cents to 93 cents (inclusive of a control premium). The Total Cash Value of 91.5 cents per APD Security accordingly falls within (and is at the upper end of) the Independent Expert's assessed valuation range.

Your Directors encourage you to read the Independent Expert's Report, which is set out in Appendix B of this Scheme Booklet, before deciding whether or not to vote in favour of the Schemes.

4.2.3 The Total Cash Value represents a significant premium to the market price of APD Securities on ASX prior to the announcement of the Transaction on 11 May 2021

The Total Cash Value of 91.5 cents per APD Security represents a significant premium over trading prices of APD Securities on ASX prior to the announcement of the proposed Schemes:

- 50.0% to the close of trading of APD Securities on 10 May 2021 of 61.0 cents per security (being the last trading day prior to the announcement of the Scheme Implementation Deed);
- 64.3% to the 1-month VWAP⁴ of APD Securities of 55.7 cents per security; and
- 65.8% to the 3-month VWAP⁵ of APD Securities of 55.2 cents per security.



Source: IRESS as at 10 May 2021 (being the last trading day prior to the announcement of the Scheme Implementation Deed).

⁴ VWAP based on market trading volume and value up to and including 10 May 2021, being the last trading day prior to the announcement of the Scheme Implementation Deed.

⁵ VWAP based on market trading volume and value up to and including 10 May 2021, being the last trading day prior to the announcement of the Scheme Implementation Deed.

4.2.4 The all cash consideration provides APD Securityholders with certainty of value and the opportunity to realise their investment for cash, avoiding the uncertainties and risks associated with APD's business

If the Schemes are implemented, APD Securityholders will receive the Scheme Consideration (payable by Bidder) of 90.0 cents per APD Security. APD Securityholders that hold APD Securities on the Permitted Distribution Record Date will also receive 1.5 cents cash per APD Security by way of the Permitted Distribution, resulting in such APD Securityholders receiving the Total Cash Value of 91.5 cents per APD Security.

The Total Cash Value, with its significant premium (see Section 4.2.3 of this Scheme Booklet), provides a high degree of certainty of value and timing.

In contrast, if the Schemes do not proceed, the amount which APD Securityholders will be able to realise in terms of price and future distributions is inherently uncertain and subject to a number of risks, including those set out in Section 8.12 of this Scheme Booklet.

While the APD Directors note the growth in the APD platform over the years and are confident that APD is well positioned to continue to deliver for APD Securityholders into the future, your Directors consider that the consideration under the Schemes represents compelling value and accelerates returns to APD Securityholders. The chart below shows the price of APD Securities over the 10 years to 10 May 2021.



Source: IRESS as at 10 May 2021 (being the last trading day prior to the announcement of the Scheme Implementation Deed).

4.2.5 The Schemes are subject to limited conditions

The Schemes are not subject to any financing condition or further due diligence.

The Schemes are subject to limited customary conditions consistent with other schemes of arrangement and trust schemes, including APD Securityholder approval, Court approval, there being no Material Adverse Change or Prescribed Occurrence and the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders.

4.2.6 Since the announcement of the Schemes, no Superior Proposal has emerged

Since the initial announcement of the Schemes on 11 May 2021 and up to the date of this Scheme Booklet, no Superior Proposal has emerged and the APD Directors are not aware of any Superior Proposal that is likely to emerge.

4.2.7 APD's security price is likely to fall significantly if the Schemes are not implemented and in the absence of a Superior Proposal

On the last trading day prior to the announcement of the Schemes, being 10 May 2021, APD's security price was 61.0 cents. Since then, it has increased by 48% to 90.5 cents per APD Security on 11 June 2021 (being the last practicable trading day prior to the date of this Scheme Booklet).

If the Schemes are not implemented, and no Superior Proposal emerges, your APD Directors believe it is likely that the APD security price will fall below the price at which it has traded since the announcement of the parties' entry into the Scheme Implementation Deed on 11 May 2021.

In addition, if the Schemes are not implemented the future trading price of APD Securities will continue to be subject to market volatility compared to the certain Total Cash Value of 91.5 cents per APD Security.

4.2.8 No brokerage will be payable by you for the transfer of your APD Securities under the Schemes

You will not incur any brokerage on the transfer of your APD Securities to Bidder under the Schemes. It is possible that brokerage may be incurred (and potentially GST on those charges) if you transfer your APD Securities other than under the Schemes.

4.3 Potential reasons to vote against the Resolutions

Each of your APD Directors recommend that you vote in favour of the Schemes, subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal.

However, there may be reasons which lead you to consider voting against the Schemes, including those set out below.

4.3.1 You may disagree with the APD Directors' unanimous recommendation and the conclusion of the Independent Expert, and believe that the Schemes are not in your best interests

Despite the recommendation of the APD Directors and the conclusion of the Independent Expert that the Schemes are in the best interests of APD Securityholders in the absence of a Superior Proposal, you may believe that the Schemes are not in the best interests of APD Securityholders or not in your best interests.

4.3.2 You may prefer to directly participate in the future financial performance of APD's business

If the Schemes are implemented, you will cease to be an APD Securityholder and will forgo any rights as an APD Securityholder.

This will mean that you will no longer be able to participate in the future performance of APD, retain any exposure to the APD business or assets, or have the potential to share in any potential value that may be generated by APD in the future. However, there is no guarantee as to APD's future performance, as is the case with all listed securities.

4.3.3 You may find it difficult to identify or invest in an alternative business with similar characteristics to APD

You may prefer to keep your APD Securities to maintain your investment in a public company with APD's specific characteristics, including but not limited to risk, return and liquidity characteristics. You may consider that it would be difficult to identify and invest in alternative investments that have a similar profile to APD or may incur transaction costs in undertaking any new investment.

In addition, despite the risk factors relevant to APD's future operations as a standalone entity (including those noted in Section 8.12 of this Scheme Booklet) and your Directors' recommendation that you vote in favour of the Schemes, you may consider that APD may be able to generate greater returns for its assets as a standalone entity, or by exploring alternative corporate transactions in the future.

4.3.4 You may consider that there is the potential for a Superior Proposal to emerge in the foreseeable future

You may believe that there is potential for a Superior Proposal to be made in the foreseeable future. This may include a takeover offer or alternative transaction proposal which would deliver total consideration to APD Securityholders in excess of the Scheme Consideration.

However, as at the date of this Scheme Booklet, no Superior Proposal has emerged and the APD Directors are not aware of any Superior Proposal that is likely to emerge.

4.3.5 The tax implications of the Schemes may not be suitable to your financial circumstances or position

The tax consequences of the Schemes will depend on your personal situation. You may consider that the tax consequences of transferring your APD Securities to Bidder under the Schemes are not attractive to you. The tax treatment as between APD Securityholders may vary depending on the nature and characteristics of each APD Securityholder and their specific circumstances. APD Securityholders should read the general outline of the tax implications of the Schemes in Section 10 of this Scheme Booklet. However, as the outline in Section 10 of this Scheme Booklet is expressed in general terms only, APD Securityholders should consult their own independent professional taxation advisers regarding the taxation implications of the Schemes.

4.4 Additional considerations relating to the Schemes

You should also take into account the following additional considerations in deciding how to vote on the Resolutions.

4.4.1 The Schemes may be implemented even if you vote against the Resolutions or do not vote at all

You should be aware that if you do not vote, or if you vote against the Resolutions, the Schemes may still be implemented if all of the Conditions are satisfied or waived (as applicable), including approval by the Requisite Majorities of APD Securityholders and approval of the Court. If this occurs, your APD Securities will be transferred to Bidder and you will receive the Scheme Consideration even though you voted against, or did not vote on, the Resolutions.

4.4.2 The Permitted Distribution is not conditional on the Schemes being implemented

The Permitted Distribution will be paid by APD on 30 July 2021, irrespective of whether the Schemes proceed. It is currently expected that, assuming the Conditions are either satisfied or waived (as applicable), the Schemes will become Effective on 4 August 2021. However, if the Schemes have not become Effective by 30 September 2021, APD may declare and pay to APD Securityholders a Further Distribution of up to 0.9 cents which would be in respect of the period from 1 July 2021 to 30 September 2021 (subject to there being available distributable earnings to make the payment). The Scheme Consideration will not be reduced by the amount of any Further Distribution.

If the Schemes proceed, APD Securityholders on the Security Register at the Permitted Distribution Record Date and the Scheme Record Date will receive 91.5 cents per APD Security. Any individual or entity who acquires APD Securities after the Permitted Distribution Record Date and participates in the Schemes will receive 90.0 cents per APD Security.

4.4.3 Conditions of the Schemes

The Schemes are subject to the satisfaction (or waiver) of the Conditions which are summarised below and set out in the Scheme Implementation Deed (which is set out in Appendix C of this Scheme Booklet). If the Conditions are not satisfied or waived (as applicable) by the End Date (being 11 November 2021 or such later date as agreed in writing between APD and Bidder), the Schemes will not proceed and APD Securityholders will not receive the Scheme Consideration.

As at the date of this Scheme Booklet, the outstanding Conditions which must be satisfied or waived (as applicable) before the Schemes can become Effective are summarised as follows:

- (a) the ASIC Relief has not been withdrawn, revoked or adversely amended before 8:00am on the Second Court Date;
- (b) the Independent Expert does not change its conclusion that the Schemes are in the best interests of APD Securityholders;
- (c) APD Securityholders approve the Resolutions by the Requisite Majorities;
- (d) the Court approves the APN PG Scheme in accordance with the Corporations Act and grants the Second Judicial Advice;
- (e) no restraining order, injunction or other order that would prevent the Schemes made by a court of competent jurisdiction or Government Agency in Australia is in effect as at 8:00am on the Second Court Date;
- (f) no Prescribed Occurrence occurs before 8:00am on the Second Court Date; and
- (g) no Material Adverse Change occurs, is announced or becomes known to Bidder before 8:00am on the Second Court Date.

The Conditions in paragraphs (a), (b), (c) and (d) (in respect of the APN PG Scheme only) above cannot be waived.

As at the date of this Scheme Booklet, the APD Directors are not aware of any reason why the Conditions should not be satisfied.

4.4.4 Exclusivity

The Scheme Implementation Deed includes certain exclusivity arrangements that APD has agreed to with Bidder which are customary in schemes of arrangement and trust schemes. These are summarised below.

- (a) **“No-shop” obligation:** during the Exclusivity Period, APD must not solicit, initiate, encourage or invite a Competing Proposal, or any enquiries, discussions, negotiations or proposals in relation to, or which may reasonably be expected to encourage or lead to, a Competing Proposal.
- (b) **“No-talk” obligation:** during the Exclusivity Period, APD must not participate in any discussions or negotiations, or enter into any agreement, arrangement or understanding, in relation to, or which may reasonably be expected to lead to, a Competing Proposal.
- (c) **“No due diligence” obligation:** during the Exclusivity Period, APD must not make available to, or permit any Third Party to receive, non-public information relating to any member of the APD Group in connection with, or which may reasonably be expected to encourage or lead to, such Third Party formulating, developing or finalising, or assisting in the formulation, development and finalisation of, a Competing Proposal.

The “no-talk” and “no due diligence” obligations do not apply to a bona fide Competing Proposal which was not solicited, invited, encouraged or initiated in breach of the “no-shop” obligations where the APD Board determines that the Competing Proposal is, or could reasonably be expected to become, a Superior Proposal, and that failing to respond to the Competing Proposal may constitute a breach of the APD Directors’ fiduciary or statutory duties.

In addition, APD is required to notify Bidder of any Competing Proposals that APD receives and also provide Bidder with a matching right if a Superior Proposal is received by APD. As at the date of this Scheme Booklet, no Competing Proposal has been received.

4.4.5 Termination rights

The Scheme Implementation Deed may be terminated, before 8:00am on the Second Court Date, in certain circumstances. These are summarised below.

- (a) **By Bidder:** if any APD Director fails to recommend the Schemes before the Second Court Date or publicly withdraws or changes his or her recommendation that APD Securityholders vote in favour of the Schemes or publicly recommends a Competing Proposal.
- (b) **By APD:** if a majority of the APD Board withdraws its recommendation that APD Securityholders vote in favour of the Resolutions in circumstances where the APD Board determines a Competing Proposal is a Superior Proposal or the Independent Expert concludes that the Schemes are not in the best interests of APD Securityholders (including in any update or revision, supplement or amendment to the Independent Expert's Report) and the APD Board determines, after receiving written legal advice from its external legal adviser, that the fiduciary or statutory duties of the APD Directors require them to change or withdraw their recommendation, provided that, before any such termination APD pays the Break Fee if required as a result of such withdrawal.
- (c) **By APD or Bidder:** if a Condition has not been satisfied or waived (as applicable) and APD and Bidder are unable to agree on a course of action within five Business Days (or any shorter period ending at 5:00pm on the Business Day before the Second Court Date), or, the other party materially breaches the Scheme Implementation Deed and the breach is not remedied within 10 Business Days of written notice being provided by the terminating party to the breaching party (or any shorter period ending at 5:00pm on the Business Day immediately before the Second Court Date).

If the Scheme Implementation Deed is terminated, the Schemes will not proceed.

4.4.6 Break Fee (payable by APD)

APD must pay the Break Fee to Bidder in certain circumstances. These are summarised below.

- (a) **Recommendation of APD Directors:** before the Second Court Date, an APD Director fails to recommend that APD Securityholders vote in favour of the Resolutions, publicly changes or withdraws his or her recommendation that APD Securityholders vote in favour of the Resolutions, publicly withdraws or adversely changes his or her statement that he or she intends to vote (or procure the voting of) all APD Securities in which he or she holds a Relevant Interest in favour of the Schemes, or publicly recommends a Competing Proposal (except where the Independent Expert has concluded that the Schemes are not or are no longer in the best interests of APD Securityholders (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Proposal)).
- (b) **Material breach by APD:** Bidder terminates the Scheme Implementation Deed due to a material breach of the Scheme Implementation Deed by APD that is not remedied within 10 Business Days (or any shorter period ending at 5:00pm on the Business Day immediately before the Second Court Date).
- (c) **Third Party acquisition:** a Competing Proposal is publicly announced by a Third Party before the Second Court Date and, within 9 months after such announcement, the Third Party making the Competing Proposal acquires all or a majority of the APD Securities or otherwise acquires Control of APD or all or substantially all of the APD Group's business and undertakings.

4.4.7 Reverse Break Fee (payable by Bidder)

Bidder must pay the Reverse Break Fee to APD if APD terminates the Scheme Implementation Deed due to a material breach of the Scheme Implementation Deed by Bidder that is not remedied within 10 Business Days (or any shorter period ending at 5:00pm on the Business Day immediately before the Second Court Date).

5. Frequently asked questions

Question	Answer
Background information	
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent to you because you are an APN Property Group (APD) securityholder and you are being asked to vote on the Resolutions. This Scheme Booklet is intended to help you to consider and decide on how to vote on the Resolutions at the Scheme Meetings. If you have sold all of your APD Securities, please disregard this Scheme Booklet.
What is the Transaction?	The Transaction is a proposal from Bidder, an entity controlled by Dexu, to acquire 100% of the APD Securities by way of the Schemes. The Schemes comprise the APN PG Scheme and the Trust Scheme.
Why are there two Schemes?	The proposed Transaction involves two schemes because APD Securities consist of APD Shares that are stapled to APD Trust Units. The Transaction will be implemented by the following two interdependent schemes: - the APN PG Scheme, being a scheme of arrangement between APN PG and APN PG Scheme Participants, for the transfer of all APD Shares to Bidder; and - the Trust Scheme, being an arrangement under which all APD Trust Units will be transferred to Bidder, facilitated by amendments to the APD Trust Constitution as set out in the APD Trust Supplemental Deed.
Do the APD Directors recommend the Transaction?	The APD Directors unanimously recommend that APD Securityholders vote in favour of the Resolutions subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal. The reasons for this recommendation, and other matters that you may wish to take into consideration, are set out in the “Reasons to vote in favour of the Resolutions” in Section 4.2 of this Scheme Booklet.
What are the intentions of the APD Directors?	Each APD Director intends to cause all the APD Securities in which he or she has a Relevant Interest to be voted in favour of the Resolutions subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal. Details of each APD Director’s holding of APD Securities is set out in Section 8.14 of this Scheme Booklet.
What are the reasons to vote in favour of the Resolutions?	The reasons to vote in favour of the Resolutions are set out under the heading “Reasons to vote in favour of the Resolutions” in Section 4.2 of this Scheme Booklet.
What is the conclusion of the Independent Expert?	The Independent Expert has concluded that the Schemes are fair and reasonable. Accordingly, the Schemes are in the best interests of APD Securityholders in the absence of a Superior Proposal.

Question	Answer
What if the Independent Expert changes its opinion?	If the Independent Expert changes its opinion, this will be announced to ASX and the APD Directors will carefully consider the Independent Expert's revised opinion and advise you of their recommendation. The APD Directors may change or withdraw their recommendation and may terminate the Scheme Implementation Deed without paying the Break Fee to Bidder, if the Independent Expert concludes that the Schemes are not or are no longer in the best interests of APD Securityholders (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Proposal).
What happens if a Superior Proposal emerges?	If a Superior Proposal emerges, the APD Directors will reconsider their recommendation in respect of the Schemes. If any APD Director publicly withdraws or changes his or her recommendation that APD Securityholders vote in favour of the Resolutions to approve the Schemes or publicly recommends a Competing Proposal, Bidder may terminate the Scheme Implementation Deed before 8:00am on the Second Court Date. APD may also be obliged to pay Bidder a Break Fee of \$3,000,000 in these circumstances. Under the Call Option Deed, Bidder has the option to acquire up to 19.9% of the issued securities in APD where a Competing Proposal emerges. The terms of the Call Option Deed are summarised in Section 9.8 of this Scheme Booklet. The exclusivity and break fee provisions in favour of Bidder agreed to by APD are summarised in Section 4.4.4 and Section 4.4.6 of this Scheme Booklet.
Total Cash Value	
What is the Total Cash Value?	The Scheme Consideration is the amount that Scheme Securityholders will receive if the Schemes are implemented. The amount of Scheme Consideration that each Scheme Securityholder will receive will be 90.0 cents per APD Security held at the Scheme Record Date. In addition, the Permitted Distribution of 1.5 cents per APD Security will be paid on 30 July 2021 to those APD Securityholders on the Security Register on the Permitted Distribution Record Date (30 June 2021). The Permitted Distribution will be payable to eligible APD Securityholders irrespective of whether the Schemes proceed. Accordingly, if the Schemes proceed, APD Securityholders on the Security Register at the Permitted Distribution Record Date and the Scheme Record Date will, in aggregate, receive the Total Cash Value of 91.5 cents per APD Security. Any APD Securityholder that acquires APD Securities after the Permitted Distribution Record Date (30 June 2021) but before the Scheme Record Date will receive 90.0 cents per APD Security if the Schemes Proceed.
What is the premium of the Total Cash Value to APD's Security price?	The Total Cash Value of 91.5 cents per APD Security represents a premium over trading prices of APD Securities on ASX prior to the announcement of the proposed Schemes: • 50% to the close of trading of APD Securities on 10 May 2021 of 61.0 cents per security (being the last trading day prior to the announcement of the Scheme Implementation Deed); • 64.3% to the 1-month VWAP⁶ of APD Securities of 55.7 cents per security; and • 65.8% to the 3-month VWAP⁷ of APD Securities of 55.2 cents per security.

6 VWAP based on market trading volume and value up to and including 10 May 2021, being the last trading day prior to the announcement of the Scheme Implementation Deed.

7 VWAP based on market trading volume and value up to and including 10 May 2021, being the last trading day prior to the announcement of the Scheme Implementation Deed.

Question	Answer
Who is entitled to participate in the Schemes?	Persons who hold APD Securities on the Scheme Record Date will be entitled to participate in the Schemes and, if the Schemes are implemented, those persons will receive the Scheme Consideration in respect of each APD Security they hold on the Scheme Record Date.
If I am entitled to participate in the Schemes, when will I receive the Total Cash Value?	As the Permitted Distribution is not conditional on the Schemes, the Permitted Distribution will be paid separately from the Scheme Consideration. APD Securityholders on the Security Register on 30 June 2021 will receive the Permitted Distribution on 30 July 2021. If the Schemes become Effective, APD Securityholders on the Security Register on the Scheme Record Date will be paid the Scheme Consideration on the Implementation Date.
Will I receive any further distributions from APD if the Schemes are implemented?	Following the payment of the Permitted Distribution, no further distributions will be paid by APD if the Schemes become effective by 30 September 2021. The Permitted Distribution is not conditional on the Schemes. In addition, although it is currently expected that, assuming the Conditions are either satisfied or waived (as applicable), the Schemes will become Effective on 4 August 2021, if the Schemes have not become Effective by 30 September 2021, APD may declare and pay to APD Securityholders the Further Distribution (subject to there being available distributable earnings to make the payment).
What are the tax implications of the Schemes?	The tax implications of the Schemes will depend on each APD Securityholder's personal circumstances. A general outline of the potential Australian tax consequences of the Schemes for certain APD Securityholders is set out in Section 10 of this Scheme Booklet. However, as that information is general in nature and as each APD Securityholder's circumstances will vary, each APD Securityholder should obtain professional tax advice on the Australian tax implications and, if applicable, the foreign tax implications of participating in the Schemes that is relevant to their particular circumstances.
Will brokerage be payable if the Schemes are implemented?	Brokerage will not be payable under the Schemes if the Schemes go ahead and APD Securities are acquired by Bidder.
Can I sell my APD Securities now?	You can sell your APD Securities on-market at any time before the close of trading on ASX on the Effective Date. However, if you do so you will receive the prevailing on-market price set at the time of sale which may not be the same price as the Scheme Consideration. Further, if you sell your APD Securities prior to the Permitted Distribution Record Date you will not be paid the Permitted Distribution, and you may also be required to pay brokerage. APD intends to apply to ASX for APD Securities to be suspended from official quotation on ASX from close of trading on the Effective Date. Accordingly, you will not be able to sell your APD Securities on-market after that time.

Question	Answer
Scheme Meetings and voting considerations	
When and where will the Scheme Meetings be held?	Location: via APD's online platform at https://agmlive.link/APDScheme Date: 27 July 2021 Time: • APN PG Scheme Meeting: 10:00am • Trust Scheme Meeting: the later of (i) 10:10am; and (ii) immediately following the APN PG Scheme Meeting APD Securityholders, authorised proxies, attorneys and corporate representatives may attend and participate in the Scheme Meetings via APD's online platform at https://agmlive.link/APDScheme. APD Securityholders, authorised proxies, attorneys and corporate representatives who participate in the Scheme Meetings via the online platform will be able to watch the Scheme Meetings, ask questions, and cast an online vote in real time. It is recommended that you login to the online platform at least 15 minutes prior to the scheduled start time for the Scheme Meetings. Please monitor APD's website and ASX announcements where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meetings. Please see the Notices of Scheme Meetings set out at Appendix A of this Scheme Booklet and the Scheme Meetings Online Guide (which has been released to the ASX and will be available at https://apngroup.com.au/) for further details relating to the conduct of the Scheme Meetings.
What is the purpose of the Scheme Meetings?	To provide APN Securityholders an opportunity to consider the Transaction and to vote on the Resolutions in respect of the Schemes.
What are APD Securityholders being asked to vote on at the Scheme Meetings?	At the Scheme Meetings, APD Securityholders will be asked to vote on the Resolutions, which are as follows: • the APN PG Scheme Resolution: – to approve the transfer of the APD Shares to Bidder; and • the Trust Scheme Resolutions: – to approve the amendments to the APD Trust Constitution (as set out in the APD Trust Supplemental Deed); and – to approve the acquisition of all the Trust Scheme Units by Bidder.
Am I entitled to vote at the Scheme Meetings?	If you are registered as an APD Securityholder on the Security Register at 10:10am on 25 July 2021, which is two Business Days before the Scheme Meetings, you will be entitled to vote at the Scheme Meetings.
Can I still vote if I can't attend the Scheme Meetings in person?	If you are unable to attend the Scheme Meetings in person (by attending the Scheme Meetings online and voting via the online platform), you can still vote on the Resolutions by appointing a proxy, attorney or corporate representative (if applicable) to attend and vote at the Scheme Meetings on your behalf. See Section 6 of this Scheme Booklet for further details.

Question	Answer
How do the APD Directors recommend I vote at the Scheme Meetings?	Subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal, the APD Directors unanimously recommend that APD Securityholders vote in favour of the Schemes (by voting in favour of the Resolutions). The APD Directors recommend that, before voting on the Resolutions, all APD Securityholders: - carefully read the contents of this Scheme Booklet (including the Independent Expert's Report); - obtain advice from appropriate legal, financial and tax professionals with regards to how the Schemes might impact them; and - consider their own preferences and personal and financial circumstances.
How do the APD Directors intend to vote at the Scheme Meetings?	Each of the APD Directors intends to vote in favour of each of the Resolutions by causing all APD Securities in which they have a Relevant Interest to be voted in favour of the Resolutions at the Scheme Meetings. As at the date of this Scheme Booklet, your Directors' aggregate Relevant Interest in APD Securities is approximately 33.0%.
What is the opinion of the Independent Expert?	The Independent Expert has concluded that in the absence of a Superior Proposal, the Schemes are in the best interests of APD Securityholders. APD Securityholders should read the Independent Expert's Report, located at Appendix B of this Scheme Booklet.
What choices do I have as an APD Securityholder?	As an APD Securityholder, you have the following choices in relation to the Schemes: - vote in favour of any or all of the Resolutions at the Scheme Meetings; - vote against any or all of the Resolutions at the Scheme Meetings; - sell your APD Securities on ASX; or - do nothing. For the Schemes to be approved, each Resolution must be approved by at least the Requisite Majorities set out below. For more information on your choices as an APD Securityholder, please see Section 7.5 of this Scheme Booklet.
What are the Requisite Majority thresholds for the Schemes?	In order for the APN PG Scheme Resolution to be approved: - a majority in number (ie more than 50%) of APD Shareholders present and voting (whether in person, or by proxy, attorney or corporate representative) must vote in favour of the APN PG Scheme Resolution; and - at least 75% of the total number of votes cast on the APN PG Scheme Resolution must be in favour of the APN PG Scheme Resolution. In order for the Trust Scheme Resolutions to be approved: - the Trust Constitution Amendment Resolution must be passed by at least 75% of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Constitution Amendment Resolution; and - the Trust Acquisition Resolution must be passed by a majority (ie more than 50%) of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Acquisition Resolution.

Question	Answer
Is voting compulsory?	Voting is not compulsory. However, the Schemes will only be successful if approved by the Requisite Majorities of APD Securityholders, so voting is important and APD Directors encourage you to vote. The APD Directors strongly encourage all APD Securityholders to read this Scheme Booklet carefully and in full and to vote on the Resolutions.
What happens if I do not vote or I do not vote in favour of the Resolutions?	You will be bound by the results of the voting whether or not you voted on the Resolutions or whether or not you voted in favour of any Resolution. If you do not vote, or vote against the Resolutions, the Schemes may still be implemented if they are approved by the Requisite Majorities of APD Securityholders and the Court. If this occurs, your APD Securities will be transferred to Bidder and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Schemes.
When will I know the voting results? (i.e. when will I know whether the Resolutions were passed at the Scheme Meetings?)	The results of the Scheme Meetings will be available shortly after the conclusion of the Scheme Meetings and will be announced to ASX once available. Announcements released on ASX are accessible online at (www.asx.com.au).
Other steps after the Scheme Meetings	
What happens after the Scheme Meetings?	If the Schemes are approved by APD Securityholders at the Scheme Meetings, the Schemes will be implemented if the Court approves the APN PG Scheme and grants the Second Judicial Advice. If the Schemes are not approved at the Scheme Meetings, they will not be implemented.
Are there any Conditions that must be satisfied or waived in order for the Schemes to be implemented?	Yes. The Conditions which remain outstanding as at the date of this Scheme Booklet are summarised in Section 4.4.3 of this Scheme Booklet. As at the date of this Scheme Booklet, the APD Directors are not aware of any reason why those Conditions should not be satisfied.
What happens if these Conditions are not satisfied or the Scheme Implementation Deed is terminated?	If the Conditions are not satisfied or waived (as applicable) or the Scheme Implementation Deed is terminated, then the Schemes will not be implemented and, as set out in Section 8.10.1 of this Scheme Booklet: • you will retain your APD Securities and they will not be acquired by Bidder; • you will not receive the Scheme Consideration; • APD will continue to operate as a standalone entity listed on ASX; and • if no Superior Proposal is received by the APD Board, then the APD Security price may fall.
What happens if the Schemes are implemented?	If the Schemes become Effective and you remain an APD Securityholder as at the Scheme Record Date, all of your APD Securities will be transferred to Bidder under the Schemes. If the Schemes become Effective, on the Implementation Date, APD Securityholders will receive Scheme Consideration of 90.0 cents per APD Security. The Scheme Consideration is in addition to the Permitted Distribution of 1.5 cents per APD Security which will be paid on 30 July 2021 to APD Securityholders on the Security Register at 30 June 2021.

Question	Answer
Can the Schemes be terminated?	The Scheme Implementation Deed may be terminated in certain circumstances, details of which are summarised in Section 4.4.5 of this Scheme Booklet. If the Scheme Implementation Deed is terminated, the Schemes will not be implemented.
Key parties involved in the Transaction	
Who is Dexus?	Dexus is one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at \$36.5 billion ⁸ . Dexus' directly owned portfolio comprises \$15.5 billion ¹ of office, industrial and healthcare properties and Dexus manages a further \$21.0 billion ¹ of properties for third party capital partners. For more information on Dexus, please see Section 9.3 of this Scheme Booklet.
Who is Bidder?	Bidder is a wholly owned subsidiary of Dexus Holdings Pty Limited which is controlled by DXO, one of the four stapled trusts that comprise Dexus. Bidder was incorporated for the purposes of acquiring 100% of the APD Securities under the Schemes.
What are Bidder's intentions if the Schemes are implemented?	Bidder will seek to integrate APD's business and leverage Dexus' real estate management platform and capabilities, however it otherwise intends to operate APD substantially in the same way, including through seeking to grow existing and new funds. For more information on Bidder's intentions, please see section 9.7 of this Scheme Booklet.
How is Bidder funding the Scheme Consideration?	Bidder intends to fund the Scheme Consideration through equity committed by DXO and DDF, as described in section 9.6 of this Scheme Booklet.
Other	
What can I do if I oppose the Schemes?	If you, as an APD Securityholder, are opposed to the Schemes, you have the option to: • call the APD Securityholder Information Line on 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia) Monday to Friday (excluding public holidays) between 8:30am and 5:30pm and obtain further information; • attend the Scheme Meetings either in person or by proxy (or by corporate representative, if applicable) and vote against the Resolutions; and/or • if APD Securityholders pass the Resolutions at the Scheme Meetings, you may wish to appear and be heard at the Second Court Hearing to oppose the approval of the APN PG Scheme at that hearing (please see the "Important notices" Section of this Scheme Booklet for further details under the heading "Notice of Second Court Hearing" on page 5 of this Scheme Booklet).
Where can I obtain further information?	If you have any questions about the Transaction or the Schemes or you would like additional copies of this Scheme Booklet, please contact the APD Securityholder Information Line on 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia) Monday to Friday (excluding public holidays) between 8:30am and 5:30pm. For information about your individual financial or tax circumstances please consult your financial, legal, tax or other professional adviser.

⁸ Figures are as at 31 December 2020, pro forma for the merger of ADPF and DWPF (prior to circa \$2 billion of redemptions) as well as the previously announced sales of Grosvenor Place, Sydney, 60 Miller Street, North Sydney, 10 Eagle Street, Brisbane, acquisition of an interest in 1 Bligh Street, Sydney, and previously announced industrial and healthcare acquisitions.

6. How to vote

6.1 Who is entitled to vote at the Scheme Meetings?

If you are registered on the Security Register as an APD Securityholder at 10:10am on 25 July 2021, then you will be entitled to attend and vote at the Scheme Meetings. Voting is not compulsory.

6.2 Joint holders

In the case of APD Securities held by joint holders, only one of the joint holders is entitled to vote. If more than one APD Securityholder votes in respect of jointly held APD Securities, only the vote of the APD Securityholder whose name appears first in the Security Register will be counted.

6.3 Your vote is important

In order for the Schemes to be implemented, the Resolutions must be approved by APD Securityholders by the Requisite Majorities at the Scheme Meetings. For this reason, the APD Directors unanimously recommend that you vote in favour of the Resolutions subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal.

If you are unable to attend the Scheme Meetings, the APD Directors urge you to either complete and return, in the enclosed pre-addressed envelope, the proxy form that accompanies this Scheme Booklet or lodge your proxy online at the Registry's website www.linkmarketservices.com.au (to log in, you will need your holder identifier (SRN or HIN) and postcode) in accordance with the instructions given there (as applicable) or by mobile device (see proxy form for further details).

6.4 Location and details of Scheme Meetings

The Scheme Meetings will be held as virtual meetings. The details of the Scheme Meetings are as follows:

Location: via APD's online platform at <https://agmlive.link/APDScheme>

Date: 27 July 2021

Time:

- APN PG Scheme Meeting: 10:00am
- Trust Scheme Meeting: the later of (i) 10:10am; and (ii) immediately following the APN PG Scheme Meeting

Please see the Notices of Scheme Meetings set out at Appendix A of this Scheme Booklet for further details relating to the conduct of the Scheme Meetings.

6.5 Notices of Scheme Meetings

The Notice of APN PG Scheme Meeting and the Notice of the Trust Scheme Meeting are set out at Appendix A of this Scheme Booklet.

6.6 Voting in person, by attorney or corporate representative

If you wish to vote in person, you must attend the Scheme Meetings online and vote via APD's online platform at <https://agmlive.link/APDScheme>. If you attend via the online platform, you will be able to watch, ask questions and vote online.

If you cannot attend the Scheme Meetings, you may vote by proxy (see Section 6.7 of this Scheme Booklet).

You may appoint an attorney to attend and vote at the Scheme Meetings on your behalf. Powers of attorney must be received by the Registry by no later than 10:10am (Melbourne time) on 25 July 2021. A body corporate that is an APD Securityholder may appoint an individual to act as its corporate representative. The certificate of appointment must be received by the Registry by no later than 10:10am (Melbourne time) on 25 July 2021. The appointment must be in accordance with section 250D of the Corporations Act.

Please see Notices of Scheme Meetings set out at Appendix A of this Scheme Booklet for further details relating to the conduct of the Scheme Meetings.

6.7 Voting by proxy

If you wish to appoint a proxy to attend and vote at the Scheme Meetings on your behalf, please either complete and sign the proxy form accompanying this Scheme Booklet in accordance with the instructions set out on the proxy form or lodge your proxy online at the Registry's website www.linkmarketservices.com.au (to log in, you will need your holder identifier (SRN or HIN) and postcode) in accordance with the instructions given there (as applicable) or by mobile device (see proxy form for further details). You may complete the proxy form in favour of the Chairman of the Scheme Meetings or appoint up to two proxies to attend and vote on your behalf at the Scheme Meetings. If you wish to appoint two proxies, you must complete and sign a physical proxy form.

The proxy form contains both the APN PG Scheme Resolution and the Trust Scheme Resolutions (numbered sequentially).

TO BE VALID, PROXY FORMS FOR THE SCHEME MEETINGS MUST BE RECEIVED BY THE REGISTRY BY NO LATER THAN 10:10AM (MELBOURNE TIME) ON 25 JULY 2021.

Proxy forms, duly completed in accordance with the instructions set out on the proxy form, may be returned to the Registry in one of the following ways:

- online at www.linkmarketservices.com.au;
- by mobile device (refer to instructions on proxy form);
- by post in the pre-addressed envelope provided to APN Property Group, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- by fax to the Registry on 02 9287 0309 (within Australia) or +61 2 9287 0309 (outside Australia); or
- by hand delivery during business hours (Monday to Friday (excluding public holidays), 8:30am to 5:30pm) to the Registry at 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

7. Overview of the Schemes

7.1 Background

On 11 May 2021, APD announced that it had signed the Scheme Implementation Deed with Bidder, under which it is proposed that Bidder will acquire all APD Securities on issue by way of the Schemes.

If all Conditions for the Schemes are satisfied or waived (as applicable), including those relating to approval by the Court and APD Securityholders, APD will become a wholly-owned subsidiary of Bidder and will be delisted from ASX.

If the Conditions are not satisfied or waived, the Schemes will not be implemented and APD will continue as a standalone entity listed on ASX.

7.2 What is the APN PG Scheme?

A scheme of arrangement is a statutory procedure that is commonly used to enable one entity to acquire another entity. The APN PG Scheme is a scheme of arrangement between APN PG and the APN PG Scheme Participants under which Bidder will acquire all of the APD Shares in exchange for the Scheme Consideration.

The APN PG Scheme must be approved by the Requisite Majorities of APD Shareholders, being a majority in number (ie more than 50%) of APD Shareholders that vote on the APN PG Scheme Resolution (in person, or by proxy, attorney or corporate representative) and at least 75% of the total votes cast on the APN PG Scheme Resolution. The APN PG Scheme must also be approved by the Court at the Second Court Hearing.

The APN PG Scheme will become binding on APN PG and APN PG Shareholders only if the Conditions to the APN PG Scheme, set out in Section 4.4.3 of this Booklet, are satisfied or waived (as applicable).

7.3 What is the Trust Scheme?

In general terms, a trust scheme involves unitholders of the target trust being asked to approve the transaction and also amendments to the trust constitution that will authorise the trustee (or responsible entity) to take steps, the end result of which will be that the bidder owns all of the units in the trust.

The Trust Scheme must be approved by the Requisite Majorities of Trust Unitholders as follows:

- the Trust Constitution Amendment Resolution must be passed by at least 75% of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Constitution Amendment Resolution; and
- the Trust Acquisition Resolution must be passed by a majority (ie more than 50%) of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Acquisition Resolution.

The Trust Scheme will become binding on APN RE and Trust Unitholders only if the Conditions to the Trust Scheme, set out in Section 4.4.3 of this Booklet, are satisfied or waived (as applicable).

7.4 **APD Directors' unanimous recommendation**

The APD Directors have considered the advantages and disadvantages of the Schemes, and unanimously recommend that APD Securityholders vote in favour of the Resolutions, subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal.

The APD Directors may change, withdraw or modify their recommendation in circumstances where the APD Board determines a Competing Proposal is a Superior Proposal or the Independent Expert concludes that the Schemes are not in the best interests of APD Securityholders (including in any update or revision, supplement or amendment to the Independent Expert's Report), and the APD Board determines, after receiving written legal advice from its external legal adviser, that the fiduciary or statutory duties of the APD Directors require them to change or withdraw their recommendation.

In making this recommendation, the APD Directors have considered the advantages and disadvantages of the Schemes, including the information set out in:

- Section 4 of this Scheme Booklet (Key considerations relevant to your vote);
- Section 7.9 of this Scheme Booklet (If the Schemes do not become Effective);
- Section 8.12 of this Scheme Booklet (Risks associated with APD if the Schemes are not implemented); and
- Appendix B of this Scheme Booklet (Independent Expert's Report).

In considering whether to vote in favour of the Resolutions, the APD Directors encourage you to:

- carefully read this Scheme Booklet (including the Independent Expert's Report);
- consider the choices available to you as outlined in Section 7.5 of this Scheme Booklet;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Schemes and obtain independent professional tax advice on the tax implications of the Schemes becoming Effective.

The interests of each APD Director are disclosed in Section 8.14 of this Scheme Booklet.

7.5 **Your choices as an APD Securityholder**

As an APD Securityholder, you have the following four options in relation to your APD Securities:

7.5.1 **Vote in favour of the Resolutions at the Scheme Meetings**

The APD Directors unanimously recommend that, subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Securityholders and there being no Superior Proposal, you vote in favour of the Resolutions. The reasons for the APD Directors' unanimous recommendation are set out in the "Reasons to vote in favour of the Resolutions" Section 4.2 of this Scheme Booklet.

Also, the Independent Expert has concluded that the Schemes are in the best interests of APD Securityholders in the absence of a Superior Proposal.

7.5.2 **Vote against the Resolutions at the Scheme Meetings**

If, despite the APD Directors' unanimous recommendation that you vote in favour of the Resolutions (subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of Securityholders and there being no Superior Proposal) and the conclusion of the Independent Expert, you do not support the Schemes, you may vote against the Resolutions.

However, if the Resolutions are approved by the Requisite Majorities at the Scheme Meetings and the Schemes are implemented, your APD Securities will be transferred to Bidder and you will receive the Scheme Consideration for each APD Security you hold on the Scheme Record Date, whether or not you voted in favour of the Resolutions.

7.5.3 Sell your APD Securities on ASX

You can sell your APD Securities on ASX at any time before the close of trading of APD Securities on ASX. If you sell your APD Securities on ASX, you may incur brokerage or other costs.

If the Schemes become Effective, trading in APD Securities on ASX is expected to be suspended at the close of trading on ASX on the day on which the Schemes become Effective.

7.5.4 Do nothing

If, despite the APD Directors' unanimous recommendation and the conclusion of the Independent Expert, you decide to do nothing, you should note that if all of the Conditions to the Schemes are satisfied or waived (as applicable), including the approval of APD Securityholders by the Requisite Majorities, the Schemes will bind all APD Securityholders, including those who voted against the Resolutions and those who did not vote at all.

Your vote is important. If the Resolutions are not approved by the Requisite Majorities of APD Securityholders, you will not be entitled to receive the Scheme Consideration.

7.6 If the Schemes become Effective

If the Schemes become Effective and you remain an APD Securityholder as at the Scheme Record Date, each of your APD Securities will be acquired by Bidder on the Implementation Date and you will receive the Scheme Consideration, even if you do not vote on the Resolutions or if you vote against the Resolutions at the Scheme Meetings.

7.7 Scheme Consideration and Total Cash Value

If the Schemes become Effective, Scheme Securityholders will receive Scheme Consideration of 90.0 cents per APD Security under the Schemes.

In addition, on 11 June 2021, APD announced the Permitted Distribution. The Permitted Distribution will be paid on the Permitted Distribution Payment Date (30 July 2021) to those APD Securityholders on the Security Register on the Permitted Distribution Record Date (30 June 2021). Payment of the Permitted Distribution is not conditional on the Schemes and will be paid irrespective of whether the Schemes proceed.

Accordingly, if the Schemes proceed, APD Securityholders on the Security Register at the Permitted Distribution Record Date and the Scheme Record Date will, in aggregate, receive the Total Cash Value of 91.5 cents per APD Security. Any APD Securityholder that acquires APD Securities after the Permitted Distribution Record Date but before the Scheme Record Date will receive 90.0 cents per APD Security if the Schemes proceed.

Although it is currently expected, assuming the Conditions are either satisfied or waived (as applicable), that the Schemes will become Effective on 4 August 2021, if the Schemes have not become Effective by 30 September 2021, APD may declare and pay to APD Securityholders the Further Distribution (subject to there being available distributable earnings to make the payment).

7.7.1 Funding of Scheme Consideration

A summary of how Bidder intends to fund the Aggregate Scheme Consideration is set out in Section 9.4 of this Scheme Booklet.

7.7.2 Eligibility to receive the Scheme Consideration

It is important to note that you will only receive the Scheme Consideration if you are a Scheme Securityholder. You will be a Scheme Securityholder if you hold APD Securities at the Scheme Record Date (which is 7:00pm on the second Business Day after the Effective Date (currently expected to be 6 August 2021, or such other time and date as Bidder and APD agree in writing)).

7.7.3 Mechanisms for payment of Scheme Consideration and the Permitted Distribution

APD will pay the Scheme Consideration by:

- (a) making a payment to your nominated bank account detailed in the Security Register as at the Scheme Record Date if you have elected to receive distributions from APD via electronic funds transfer; or
- (b) if you have not nominated a bank account, sending a cheque for the aggregate Scheme Consideration that you are entitled to receive under the Schemes to your address shown in the Security Register as at the Scheme Record Date.

The Scheme Consideration and the Permitted Distribution will be paid by APD in the same way that you have previously elected to receive distributions from APD. Accordingly, APD Securityholders are encouraged to elect to receive their distribution entitlements via electronic funds transfer.

For details of how you can update your personal details held by the Registry, you should contact the Registry on 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia) Monday to Friday (excluding public holidays) between 8:30am and 5:30pm before the Scheme Record Date.

7.8 Key steps in the Schemes

7.8.1 Preliminary steps

APD and Bidder entered into the Scheme Implementation Deed on 11 May 2021, under which APD agreed to, among other things, propose the Schemes.

Bidder has entered into the Deed Poll in favour of Scheme Securityholders, under which Bidder agrees to, subject to the Schemes becoming Effective, provide the Scheme Consideration to which each Scheme Securityholder is entitled under the terms of the Schemes.

Copies of the proposed APN PG Scheme and APD Trust Supplemental Deed are set out in Appendices D and E of this Scheme Booklet. A copy of the Deed Poll is set out in Appendix F of this Scheme Booklet.

7.8.2 Scheme Meetings

In accordance with an order of the Court made on 15 June 2021, a meeting of APD Shareholders will be held at 10:00am and a meeting of Trust Unitholders will be held at 10:10am (or, if later, immediately following conclusion of the APN PG Scheme Meeting) on 27 July 2021 via APD's online platform at <https://agmlive.link/APDScheme> for the purposes of approving the Resolutions. APD Securityholders, authorised proxies, attorneys and corporate representatives will be able to watch, ask questions and vote through this online platform. The Notice of APN PG Scheme Meeting and the Notice of the Trust Scheme Meeting, which set out the Resolutions, are provided in Appendix A of this Scheme Booklet.

Each APD Securityholder who is registered on the Security Register at 10:10am on 25 July 2021 is entitled to attend and vote at the Scheme Meetings.

Instructions on how to attend and vote at the Scheme Meetings in person (by attending the Scheme Meetings online and voting via the online platform), or to appoint a proxy to attend and vote on your behalf, are set out in Section 6 of this Scheme Booklet.

7.8.3 Resolutions at the Scheme Meetings

At the Scheme Meetings, the following resolutions (collectively, the **Resolutions**) will be considered and voted upon by eligible APD Securityholders:

- the **APN PG Scheme Resolution**:
 - to approve the transfer of the APD Shares to Bidder; and
- the **Trust Scheme Resolutions**:
 - to approve the amendments to the APD Trust Constitution (as set out in the APD Trust Supplemental Deed); and
 - to approve the acquisition of all the Trust Scheme Units by Bidder.

7.8.4 Resolution approval requirements

At the Scheme Meetings, the Resolutions must be approved by the Requisite Majorities, being:

- In respect of the **APN PG Scheme Resolution** the following must be in favour:
 - a majority in number (ie more than 50%) of APD Shareholders present and voting (whether in person, or by proxy, attorney or corporate representative) on the APN PG Scheme Resolution; and
 - at least 75% of the total number of votes cast on the APN PG Scheme Resolution.
- In respect of the **Trust Scheme Resolutions**:
 - the Trust Constitution Amendment Resolution must be passed by at least 75% of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Constitution Amendment Resolution; and
 - the Trust Acquisition Resolution must be passed by a majority (ie more than 50%) of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Acquisition Resolution.

7.8.5 Second Court Hearing

After the Scheme Meetings, APD will apply to the Court for orders approving the Schemes and the Second Judicial Advice, if:

- (a) the APN PG Scheme Resolution is approved by the Requisite Majorities of APD Shareholders; and
- (b) the Trust Scheme Resolutions are approved by the Requisite Majorities of Trust Unitholders; and
- (c) all Conditions (other than the Condition relating to Court approval and the granting of the Second Judicial Advice) have been or can be satisfied or waived (as applicable).

The Second Court Hearing is expected to take place at 10:15am on 4 August 2021. Any APD Securityholder has a right to appear at the Second Court Hearing.

7.8.6 Effective Date

If, at the Second Court Hearing, the Court makes an order approving the Schemes under section 411(4) (b) of the Corporations Act and grants the Second Judicial Advice, APD will lodge with ASIC: (i) an office copy of the Court orders approving the APN PG Scheme for the purposes of section 411(10) of the Corporations Act and; (ii) the duly executed APD Trust Supplemental Deed.

It is anticipated that the Court orders and the APD Trust Supplemental Deed will be lodged with ASIC before 5:00pm on the Business Day immediately following the day on which APD receives an office copy of the court orders. Once such Court orders and the APD Trust Supplemental Deed are lodged with ASIC, the Schemes will become “Effective”. This means that the Schemes will be binding on APD and each APD Securityholder and Bidder will be bound to pay the Aggregate Scheme Consideration in accordance with the Deed Poll.

On the Effective Date, APD will notify ASX that the Schemes have become Effective. Trading in APD Securities on ASX will be suspended from close of trading on the Effective Date. The Effective Date is expected to be 4 August 2021.

Once the Schemes become Effective:

- (a) Bidder is bound to pay the Aggregate Scheme Consideration by the Implementation Date;
- (b) each Scheme Securityholder, without the need for any further action, irrevocably appoints APD as its attorney and agent for the purposes of enforcing the Deed Poll against Bidder and Dexu RE as guarantor (see Section 7.8.11 of this Scheme Booklet for more information); and
- (c) subject to payment of the Aggregate Scheme Consideration by Bidder as referred to in Section 7.8.11 of this Scheme Booklet, APD will become bound to take the steps required for Bidder to become the holder of all APD Securities.

7.8.7 Scheme Record Date

Those APD Securityholders on the Security Register on the Scheme Record Date, being 7:00pm 6 August 2021 (the second Business Day after the Effective Date), will be entitled to receive the Scheme Consideration in respect of the APD Securities they hold on that date. Further information on the payment of the Scheme Consideration is provided in Section 7.8.11 of this Scheme Booklet.

7.8.8 Dealings in APD Securities on, or prior to, the Scheme Record Date

To determine who is a Scheme Securityholder (i.e. an APD Securityholder on the Scheme Record Date), dealings in APD Securities will only be recognised if:

- (a) in the case of dealings of the type to be effected by CHESS, the transferee is registered in the Security Register as a holder of the relevant APD Securities at or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at or before the Scheme Record Date at the place where the Security Register is kept (in which case, APD must register such transfers or transmission applications at or before the Scheme Record Date).

For the purposes of determining entitlements under the Schemes, APD will not accept for registration or recognise any transfer or transmission applications regarding APD Securities that are not in a registrable form or are received after the Scheme Record Date.

7.8.9 Dealings in APD Securities after the Scheme Record Date

For the purposes of determining entitlements to Scheme Consideration, APD will maintain the Security Register in accordance with the terms of the Schemes until:

- (a) the Scheme Consideration has been paid to Scheme Securityholders; and
- (b) the name and address of Bidder has been entered in the Security Register as the holder of all the APD Securities.

The Security Register in this form will solely determine entitlements to the Scheme Consideration. After the Scheme Record Date:

- (a) all statements of holding for Scheme Securities (other than statements of holding in favour of Bidder) will cease to have any effect as documents relating to title in respect of those APD Securities; and
- (b) each entry in the Security Register will cease to have effect, other than as evidence of entitlement to the Scheme Consideration in respect of the Scheme Securities relating to that entry.

7.8.10 Implementation Date

If the Schemes become Effective, Scheme Securityholders will be paid their Scheme Consideration on the Implementation Date (currently anticipated to be 13 August 2021). Immediately after the Scheme Consideration is paid to Scheme Securityholders, all APD Securities will be transferred to Bidder.

7.8.11 Deed Poll

Bidder has executed the Deed Poll, pursuant to which Bidder has undertaken to provide the Scheme Consideration to each Scheme Securityholder under the Schemes, subject to the Schemes becoming Effective.

Under the Schemes, each Scheme Securityholder irrevocably appoints APD and each of its Directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purposes of:

- (i) enforcing the Deed Poll against Bidder and Dexu RE as guarantor; and
- (ii) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to the Schemes and the transactions contemplated by them.

This includes executing a proper instrument of transfer in respect of a Scheme Securityholder's Scheme Securities.

Payment of Aggregate Scheme Consideration

The following steps will occur in relation to the payment of the Aggregate Scheme Consideration by Bidder:

- (a) **Bidder deposits the Aggregate Scheme Consideration:** before 12 noon on the Business Day immediately before the Implementation Date, Bidder is required to pay the Aggregate Scheme Consideration, in cleared funds, into a trust account operated by APD for the benefit of the Scheme Securityholders.
- (b) **APD pays Scheme Securityholders and transfers all APD Securities to Bidder:** subject to payment of the Aggregate Scheme Consideration by Bidder as referred to in paragraph (a) above, on the Implementation Date:
 - (i) APD will pay (or procure the payment) to each Scheme Securityholder the proportion of the Aggregate Scheme Consideration attributable to that Scheme Securityholder based on the number of Scheme Securities held by that Scheme Securityholder as at the Scheme Record Date;
 - (ii) APD will transfer all APD Securities to Bidder; and
 - (iii) APD will then enter the name of Bidder in the Security Register in respect of all APD Securities.

A copy of the Deed Poll is set out in Appendix F of this Scheme Booklet.

7.9 If the Schemes do not become Effective

If the Schemes do not become Effective, either APD or Bidder is able to terminate the Scheme Implementation Deed. If the Scheme Implementation Deed is terminated, the Schemes will not be implemented. Eligible APD Securityholders will still receive the Permitted Distribution where the Schemes do not proceed.

7.10 Warranties by APD Securityholders

Under the Schemes, each Scheme Securityholder is taken to have warranted to APD and Bidder, and appointed and authorised APD as its attorney and agent to warrant to Bidder, that:

- (a) all their Scheme Securities (including any rights and entitlements attaching to their Scheme Securities) which are transferred under the Schemes will, at the time of transfer of them to Bidder, be fully paid and free from all:
 - (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (ii) restrictions on transfer of any kind;
- (b) they have full power and capacity to transfer their Scheme Securities to Bidder together with any rights attaching to those Scheme Securities; and
- (c) as at the Scheme Record Date, they have no existing right to be issued any other Scheme Securities or any other form of APD securities (including APD Shares and APD Trust Units).

7.11 Delisting of APD

If the Schemes become Effective, by the close of trading on the trading day immediately following the Implementation Date or by such later date as may be requested by Bidder (acting reasonably) and consented to by ASX, APD will apply for termination of the official quotation of APD Securities on ASX and for APD to be removed from the official list of ASX.

8. Information about APN Property Group

8.1 Overview of APD

APD is a specialist real estate investment manager which actively manages commercial real estate funds on behalf of institutional, wholesale and retail investors. Established in 1996, APD is listed on ASX and as at 30 April 2021 managed \$3.2 billion⁹ of real estate investments. APD's head office is based in Melbourne, Australia and it has a team of 50 as at 30 April 2021.

APD comprises the stapled entities of APN PG and APD Trust and trades on ASX under the code "APD". The APD Group is comprised of several entities including APN RE and APN FM (both wholly owned subsidiaries). APN RE is the responsible entity of APD Trust. APN FM manages APD's listed and unlisted managed investment schemes and mandates in its role as responsible entity, trustee and/or manager.

APD's approach to real estate investment is based on a 'property for income' philosophy and is driven by a commitment to investment performance. APD takes an active approach to investing with a strong focus on fundamental value and sustainable cash flow.

Through APN FM, APD actively manages 11 funds including: domestic and international property securities, direct property and listed commercial real estate funds. APD's funds include the \$1.1 billion APN AREIT Fund strategy, APN Industria REIT (an ASX listed industrial and office property trust with \$1.1 billion of assets, ASX:ADI, **ADI**) and APN Convenience Retail REIT (an ASX listed property trust with a portfolio of non-discretionary retail properties of \$674 million, ASX:AQR, **AQR**).

As at 30 April 2021, APD had \$146.4 million of its own capital invested alongside its clients in the investment funds it manages.

8.2 History of APD

Year	Key milestone
1996	■ Australian Property Network Pty Ltd commenced with focus on development and project management
1997	■ APN FM established
1998	■ APN FM issued dealer's licence ▶ APN Property for Income Fund launched
1999	▶ APN Retirement Properties Fund launched
2002	▶ APN Property Plus Portfolio launched
2003	▶ APN National Storage Property Trust launched
2004	▶ APN Regional Property Fund launched ▶ APN International Property for Income Fund launched
2005	■ APD listed on ASX as APN Property Group (ASX:APD), combining both Australian Property Network Pty Ltd and APN FM ▶ APN European Retail Trust listed on the ASX (ASX:AEZ) ▶ APN Property for Income Fund No. 2 launched ▶ APN Development Fund No. 1 launched

⁹ Unless otherwise stated all references to funds under management are as at 30 April 2021 pro forma for the independent property valuation increases announced by each of AQR (3 May 2021) and ADI (7 May 2021) and property acquisitions announced by AQR (11 May 2021 and 21 May 2021). ADI funds under management includes a right of use asset.

Year	Key milestone
2007	▶ APN Development Fund No. 2 launched
2009	▶ APN AREIT Fund launched
2011	■ APD appointed as responsible entity of the ING Real Estate Healthcare Fund. APD relaunched the fund as Generation Healthcare REIT (ASX:GHC)
2013	▶ APN Asian REIT Fund launched ▶ APN 541 St Kilda Road Fund launched ▶ APN Industria REIT listed on ASX
2014	▶ Newmark APN Auburn Property Fund launched
2015	▶ APN Steller Development Fund launched ▶ APN Coburg North Retail Fund launched
2016	■ Generation Healthcare REIT divested to NorthWest Healthcare Properties REIT ▶ APN Retail Property Fund launched
2017	▶ APN Convenience Retail REIT listed on the ASX
2018	▶ APN Nowra Property Fund launched
2019	■ APN Regional Property Fund recapitalisation and liquidity event completed ■ APD stapling transaction completed ■ APD funds under management exceeded \$3.0 billion as at 31 December 2019
2020	▶ APN Global REIT Income Fund launched
2021	■ Transaction announced

Legend: ■ Corporate milestone ▶ Managed fund milestone

8.3 APD's business and operations

APD primarily generates funds management fees from the provision of responsible entity and investment management services for the funds it manages.

In addition, APD earns income from the following revenue streams:

- performance and transaction fees from the provision of management, acquisition, disposal and fund establishment services;
- asset, leasing and project management fees from the provision of leasing, project management, development management and property management services;
- registry and other income from the provision of investor and advisor relations, accounting, unit pricing and custodian services; and
- distribution income from co-investments.

APD operates four business divisions: Real Estate Securities, ADI, AQR and Direct Funds. In addition, APD also holds strategic co-investment stakes in various listed and unlisted funds that it manages.

8.3.1 Real Estate Securities

Real Estate Securities provides actively managed “income focused” funds with exposure to well diversified portfolios of listed Australian and global REITs and unlisted property funds. Targeted at investors seeking stable superannuation, retirement and investment income, the funds are distributed via independent financial planner networks, major financial institutions (via investment platforms/wraps) and directly to individual investors. There are six funds under this division:

- the APN AREIT Fund is an income focused, property securities fund that invests in a portfolio of listed AREITs;
- the APN Property for Income Fund is an income focused hybrid property securities fund that invests in a portfolio of listed AREITs and unlisted property securities;
- the APN Property for Income Fund No. 2 is an income focused hybrid property securities fund that invests in a portfolio of listed AREITs and unlisted property securities;
- the APN Asian REIT Fund is an income focused property securities fund that invests in a portfolio of listed Asian REITs;
- the APN AREIT NZ PIE Fund is an income focused property securities fund that invests in the APN AREIT Fund; and
- the APN Global REIT Income Fund is an income focused property securities fund that invests in a portfolio of REITs listed in North America, Europe and Asia Pacific.

8.3.2 APN Industria REIT

ADI owns interests in office and industrial properties that provide functional and affordable workspaces for businesses. It listed on ASX in 2013 and as at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet) it had a market capitalisation of \$697 million.

As at the date of this Scheme Booklet, ADI has a \$1.1 billion portfolio of 38 properties located across the major Australian cities. It has a diversified portfolio comprising 61% industrial and logistics assets and 39% business parks. Across its portfolio, ADI has a 97% occupancy at a weighted average lease expiry (by area) of 5.1 years¹⁰.

The fund has a target gearing band of 30-40% and aims to deliver sustainable income and capital growth prospects for its investors over the long term and has completed \$230 million of acquisitions over the last 3 years.

APD is a major investor in ADI with a total holding valued at \$93.5 million as at 30 April 2021.

8.3.3 APN Convenience Retail REIT

AQR listed on ASX in 2017 and as at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet) it had a market capitalisation of \$451 million. The fund owns a portfolio of convenience retail assets located across Australia with a focus towards the eastern seaboard.

As at the date of this Scheme Booklet, AQR has a portfolio of 90 service station and convenience retail assets located across Australia, independently valued at \$674 million. The fund has 100% occupancy across its portfolio, with a weighted average lease expiry of 10.6 years (78% of income expiring in FY2030 and beyond)¹¹.

The portfolio is leased to high-quality tenants on predominately long-term leases, with the largest tenant being Chevron. The fund has a target gearing band of 25-40% and aims to provide investors with stable income with the potential for both income and capital growth through annual rental increases over the long term.

APD is a major investor in AQR with a total holding valued at \$43.2 million as at 30 April 2021.

¹⁰ As at 31 December 2020.

¹¹ As at 31 December 2020.

8.3.4 Direct Funds

Direct Funds comprises predominately fixed term unlisted direct property syndicates. Generally established as single purpose, single asset or single asset class funds, investors are provided with specific opportunities to access commercial property returns that may not ordinarily be available to investors. There are three funds under this division:

- the APN Regional Property Fund is a fixed term direct property fund which owns two commercial office buildings in Newcastle, New South Wales;
- the APN Nowra Property Fund is a single asset fixed term direct property fund which owns a large format retail centre in Nowra, New South Wales; and
- the APN Development Fund No. 2 is a closed end wholesale property development fund which owns a 3.3 hectare site located in Port Melbourne, Victoria planned for mixed-use development.

8.3.5 Co-Investments

Integral to APD's strategy is investing alongside investors via strategic co-investment stakes in various listed and unlisted funds that APD manages. The co-investment assets and the approximate percentage interests held by APD as at 30 April 2021 include:

Fund	Fair value (\$m)	Co-investment interest (%)	Relevant Interest (%) ¹²
APN Asian REIT Fund	1.4	2.6%	
APN Global REIT Fund	5.4	64.2%	
APN Industria REIT	93.5	13.9%	16.7%
APN Convenience Retail REIT	43.2	10.1%	18.1%
APN Regional Property Fund	1.6	3.3%	
APN Development Fund No. 2	1.2	4.8%	
Other	0.2	N/A	
Total	146.4		

8.4 APD strategy

APD's strategy to create value for its securityholders has delivered significant returns since its implementation. APD is a specialist real estate investment manager with a co-investment approach.

APD generates revenue through two primary activities. First, providing management services to its various funds for which it receives fees and second, co-investing its own capital alongside external investors into APD's funds. APD is an active manager and its focus within its investment management activities is one the fundamental drivers of value for investors.

APD's strategic objective is to increase the scale and profitability of its business through generating strong investment performance for its clients and increasing the size of the portfolio of funds it manages. Through achieving greater scale, APD's objective is to deliver greater profit margins which in turn deliver higher sustainable earnings and value growth for APD Securityholders.

The APD Board considers that APD's advantages relative to its competitors are its:

- expertise;
- track record;
- co-investment and alignment with investors; and
- strong governance.

¹² As at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet). Includes interests held by real estate securities funds managed by APD and an additional 1.0% in AQR held by entities associated with APD's Chairman Chris Aylward.

APD's strategy includes focusing on the types of properties to acquire in new and existing funds and here APD has an agnostic approach to asset classes, provided APD is satisfied that the particular investment will generate strong risk adjusted returns. Similarly, APD's strategy also includes focusing on the types of capital (for example listed, unlisted, wholesale, institutional, high net worth and retail investors) for its funds which are represented across its portfolio of funds today.

8.5 APD Board and senior management

8.5.1 APD Board

As at the date of this Scheme Booklet, the APD Board comprises:

Name	Position
Chris Aylward	Non-Executive Chairman (APN PG and APN RE)
Howard Brenchley	Independent Director (APN PG and APN RE)
Clive Appleton	Independent Director (APN PG and APN RE)
Danielle Carter	Independent Director (APN PG and APN RE)
Tim Slattery	Chief Executive Officer (APN PG)

Chantal Churchill holds the position of Company Secretary.

As at the date of this Scheme Booklet, the APN FM Board comprises:

Name	Position
Geoff Brunsdon	Independent Chairman
Michael Johnstone	Independent Director
Jennifer Horrigan	Independent Director
Howard Brenchley	Independent Director
Joseph De Rango	Chief Financial Officer (Alternate Director)

Chantal Churchill holds the position of Company Secretary.

8.5.2 Senior management

As at the date of this Scheme Booklet, the senior management team of APD comprises:

Name	Position
Tim Slattery	Chief Executive Officer
Joseph De Rango	Chief Financial Officer
Alex Abell	Head of Direct Property and Fund Manager – ADI
Chris Brockett	Fund Manager – AQR
Pete Morrissey	CEO – Real Estate Securities
Chantal Churchill	Company Secretary and Head of Risk & Compliance
Simone Newman	Head of Distribution and Marketing

8.6 APD's capital structure

8.6.1 APD Securities on issue

As at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet), APD had 329,548,043 APD Securities on issue.

8.6.2 APD Incentive Securities

As at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet), APD's outstanding Restricted Securities and APD Rights on issue are as set out below.

APD Employee Share Schemes	Restricted Securities	APD Rights
Timothy Slattery Executive Share Plan	12,046,111 Restricted Securities	7,500,000 unvested APD Rights
Employee Performance Securities Plan	2,265,367 Restricted Securities	12,590,778 unvested APD Rights
Employee Share Purchase Plan	27,000 Restricted Securities	N/A
Clive Appleton Share Trust	3,900,001 Restricted Securities	N/A

Additional detail regarding the treatment of Restricted Securities and APD Rights if the Schemes are implemented is set out in Section 8.16.1 of this Scheme Booklet.

8.7 Historical price of APD Securities

APD Securities are listed on ASX under the trading symbol "APD".

The closing price of APD Securities on ASX on 10 May 2021 (the last trading day prior to the announcement of the Scheme Implementation Deed) was 61.0 cents. The closing price for APD Securities on ASX on 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet) was 90.5 cents.

During the three months ending 10 May 2021:

- the highest recorded daily closing price for APD Securities was 61.0 cents on 10 May 2021; and
- the lowest recorded daily closing price for APD Securities was 53.5 cents on 4 March 2021, 22 March 2021, 25 – 26 March 2021 and 31 March 2021.

The chart below shows price performance of APD Securities over the 12 months to 11 June 2021 (being the last practicable trading day prior to dispatch of this Scheme Booklet) as well as the volume of securities traded over this period.



8.8 APD's substantial securityholders

Based on publicly available information, as at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet), APD had received notifications from the following substantial securityholders in accordance with section 671B of the Corporations Act:

Name	Number of APD Securities	Percentage of total issued APD Securities
Mr Christopher J Aylward and related entities ¹³	81,500,000	24.7%
Bidder and related entities ¹⁴	65,580,060	19.9%
Mr Adam L Grollo	28,875,631	8.8%
Samson Rock Capital LLP	17,234,209	5.2%

8.9 Financial information

This Section 8.9 contains audited financial information relating to APD for the financial years ended 30 June 2019 (**FY19**) and 30 June 2020 (**FY20**) and reviewed financial information for the half-year ended 31 December 2020 (**HY21**).

The financial information in this Section 8.9 is a summary only and has been prepared and extracted for the purposes of this Scheme Booklet only.

Further detail about APD's financial performance can be found in the audited financial reports for FY19 and FY20, and from the reviewed financial report for HY21. Copies of APD's financial reports for FY19, FY20 and HY21 can be obtained, free of charge, from ASX's website (www.asx.com.au), APD's website (apngroup.com.au) or by calling the APD Securityholder Information Line on 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia) any time between 8:30am and 5:30pm (Melbourne time) on Monday to Friday (excluding public holidays).

8.9.1 Basis of preparation

The historical financial information of APD presented in this Scheme Booklet is in an abbreviated form and does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. APD considers that, for the purposes of this Scheme Booklet, the historical financial information presented is more meaningful to APD Securityholders. The historical financial information of APD has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards. The historical financial information in this Scheme Booklet is presented on a standalone basis and accordingly does not reflect any impact of the Schemes.

¹³ Reflects Chris Aylward's Relevant Interest as at 11 June 2021, being the last practicable trading day prior to the date of this Scheme Booklet. Related entities of Chris Aylward have granted Bidder a Call Option over 65,580,060 APD Securities, equal in aggregate to 19.9% of issued APD Securities. For further details, refer to Section 9.8 of this Scheme Booklet.

¹⁴ Bidder and related entities have a relevant interest in 65,580,060 APD Securities held by related entities of Chris Aylward by virtue of the Call Option Deed dated 11 May 2021. For further details, refer to Section 9.8 of this Scheme Booklet.

8.9.2 Consolidated Statement of Profit or Loss

The following table presents the historical consolidated statement of profit or loss for the FY19 and FY20 financial years and for the HY21 half-year.

	FY19 (\$'000)	FY20 (\$'000)	HY21 (\$'000)
Funds management fees	15,038	15,279	7,277
Performance and transaction fees	374	272	375
Asset, leasing and project management fees	269	689	544
Registry and other fees	2,289	2,200	1,127
Total net funds management income	17,970	18,440	9,323
Co-investment income	7,985	7,912	3,954
Rental and other property related income	640	-	-
Total net income	26,595	26,352	13,277
Employment costs	(10,345)	(9,547)	(3,678)
Occupancy costs	(678)	(310)	(92)
Sales and marketing costs	(710)	(776)	(71)
Other costs	(2,051)	(2,433)	(1,001)
Depreciation and amortisation	(141)	(704)	(337)
Financial income / (expenses)	(88)	(305)	(179)
Operating earnings before tax	12,582	12,277	7,919
Income tax expense	(3,350)	(1,927)	(1,210)
Operating earnings after tax¹⁵	9,232	10,350	6,709
Other non-operating items, including income tax ¹⁶	5,301	(6,152)	16,227
Statutory profit after tax	14,533	4,198	22,936

¹⁵ Operating earnings is an unaudited after tax metric used by the APD Group as a key measurement of its underlying performance. It adjusts statutory profit for certain non-operating items recorded in the income statement including certain business development expenses and realised / unrealised fair value movements on APD Group's co-investments.

¹⁶ Non-operating activities include certain business development expenses and realised / unrealised fair value movements on APD Group's co-investments.

8.9.3 Consolidated Statement of Financial Position

The following table presents the historical consolidated statement of financial position as at the FY19 and FY20 financial years and as at the HY21 half-year.

	FY19 (\$'000)	FY20 (\$'000)	HY21 (\$'000)
Assets			
Cash and cash equivalents	15,672	16,299	21,070
Trade and other receivables	5,554	5,983	5,694
Financial assets - held for sale	11,376	6,946	-
Current assets	32,602	29,228	26,764
Financial assets	116,096	107,561	133,592
Property, plant and equipment	396	549	541
Intangible assets	1,756	1,700	1,700
Right-of-use assets	-	2,108	1,850
Deferred tax assets	-	552	154
Non-current assets	118,248	112,470	137,837
Total assets	150,850	141,698	164,601
Liabilities			
Trade and other payables	3,453	8,993	8,469
Current tax liabilities	210	852	538
Provisions	3,343	3,485	3,004
Borrowings	6,004	-	9,000
Lease liability	-	460	482
Current liabilities	13,010	13,790	21,493
Borrowings	-	9,000	-
Provisions	1,061	326	381
Lease liability	-	1,742	1,494
Deferred tax liabilities	8,969	-	-
Non-current liabilities	10,030	11,068	1,875
Total liabilities	23,040	24,858	23,368
Net assets	127,810	116,840	141,233
Equity			
Contributed equity	102,885	106,705	114,548
Reserves	5,271	4,377	3,578
Retained earnings	19,654	5,758	23,107
Total equity	127,810	116,840	141,233

8.9.4 Consolidated Statement of Cash Flows

The following table presents the historical consolidated statement of cash flows for the FY19 and FY20 financial years and for the HY21 half-year.

	FY19 (\$'000)	FY20 (\$'000)	HY21 (\$'000)
Cash flows from operating activities			
Receipts from customers	19,428	18,844	9,560
Payments to suppliers and employees	(13,379)	(14,816)	(6,357)
Interest received	438	170	52
Distributions received	7,703	7,987	3,837
Interest and other costs of finance paid	(501)	(341)	(180)
Income taxes paid	(2,572)	(3,511)	(1,320)
Net cash provided by operating activities	11,117	8,333	5,592
Cash flows from investing activities			
Payments for investments	(24,810)	(4,750)	(8,297)
Proceeds on sale/ return of capital from investments	9,309	4,744	5,789
Payments for property, plant and equipment	(61)	(371)	(72)
Net cash flow on disposal of subsidiary	12,187	-	-
Net cash provided by / (used in) investing activities	(3,375)	(377)	(2,580)
Cash flows from financing activities			
Repayment of the lease liabilities	-	(534)	(276)
Proceeds of borrowings	-	2,996	-
Proceeds from issue of equity securities	3	4	2,035
Dividends paid	(7,059)	(9,795)	-
Net cash provided by / (used in) financing activities	(7,056)	(7,329)	1,759
Net increase / (decrease) in cash and cash equivalents	686	627	4,771
Cash and cash equivalents at the beginning of the period	14,986	15,672	16,299
Cash and cash equivalents at the end of the period	15,672	16,299	21,070

8.10 APD Directors' intentions

The Corporations Regulations require a statement by the APD Directors of their intentions regarding APD's business. If the Scheme Consideration is paid to Scheme Securityholders, APD will procure that any APD Director nominated by Bidder to resign from the APD Board will resign and Bidder will have 100% ownership and control of APD. The current intentions of Bidder with respect to these matters are set out in Section 9.5 of this Scheme Booklet.

If the Schemes are not implemented, the APD Directors intend to continue to operate APD in the ordinary course of business and for APD to remain listed on ASX.

8.10.1 What if the Schemes are not implemented?

If the Schemes are not implemented, there will be no change to APD and it will continue to operate on a standalone basis. As such, APD will remain listed on ASX and you will retain your APD Securities. While it is not possible to predict the future performance of APD, in deciding whether or not to vote in favour of the Resolutions you should have regard to the prospects of APD on a standalone basis (that is, if the Schemes are not implemented).

Some possible implications of the Schemes not being implemented are:

- (a) APD Securityholders will retain their APD Securities and they will not be acquired by Bidder;
- (b) APD Securityholders will not receive the Scheme Consideration;
- (c) APD will, in the absence of another proposal, continue to operate as a standalone company listed on ASX and, as such, APD Securityholders will be exposed to the risks relating to APD's business (refer to Section 8.12 of this Scheme Booklet for a summary of those risks); and
- (d) if no Superior Proposal is received by the APD Board, then the APD Security price may significantly fall.

The Permitted Distribution is not conditional on the Schemes and will be paid to eligible APD Securityholders irrespective of whether the Schemes proceed.

APD estimates that, if the Schemes are not implemented, APD will be required to pay one-off Transaction Costs of approximately \$1.37 million (excluding GST and disbursements and any Break Fee that may be payable to Bidder). This includes the following amounts:

- (a) fees and expenses paid or payable (excluding GST) to APD's professional advisers (including its financial, legal, accounting and tax advisers) of approximately \$870,000;
- (b) fees paid or payable to the Independent Expert of \$190,000; and
- (c) Registry costs, fees and expenses associated with the Court proceedings, costs relating to design, printing and dispatch of this Scheme Booklet, expenses associated with convening and holding the Scheme Meetings, fees related to proxy solicitation services, and other general and administrative expenses in connection with the Schemes, of approximately \$260,000 in aggregate.

The payment of these Transaction Costs would affect the cash balance of APD.

8.10.2 Strategy and intentions for APD if the Schemes are not implemented

If the Schemes are not implemented, there will be no change to APD's strategy as outlined in Section 8.4 of this Scheme Booklet.

The Permitted Distribution is not conditional on the Schemes. The Permitted Distribution will be paid on 30 July 2021, irrespective of whether the Schemes proceed.

8.11 No material changes in APD's financial position since 31 December 2020

Other than:

- (a) as disclosed in this Scheme Booklet, or as otherwise disclosed to ASX by APD;
- (b) an increase in interest-bearing liabilities resulting from the drawdown of an additional \$11 million under debt facilities, with the funds drawn mostly held in cash. This has resulted in \$20 million in aggregate being drawn under debt facilities as at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet);
- (c) an increase in the fair value of co-investments in funds managed by APD due to market movements; and
- (d) the accumulation of profits in the ordinary course of business,

to the knowledge of the APD Directors as at the date of this Scheme Booklet, the financial position of APD has not changed materially since 31 December 2020, being the date of the last balance sheet prepared before the date of this Scheme Booklet.

8.12 Risks associated with APD if the Schemes are not implemented

The APD Board considers that it is appropriate for APD Securityholders, in considering the Schemes, to be aware there are a number of risks which could materially and adversely affect the future operating and financial performance, and value, of APD.

Section 8.12.1 of this Scheme Booklet sets out some general investment risks relating to an investment in APD and Section 8.12.2 of this Scheme Booklet outlines some specific risks relating to an investment in APD. If the Schemes are implemented, you will cease to be an APD Securityholder and will also no longer be exposed to the risks set out below. If the Schemes are not implemented, you will continue to hold your APD Securities and continue to be exposed to risks associated with that investment and the risks set out below.

You should carefully consider the risks if the Schemes are not implemented discussed in this Section 8.12, as well as the other information contained in this Scheme Booklet, before voting on the Resolutions. Sections 8.12.1 and 8.12.2 of this Scheme Booklet are general in nature only and do not take into account your individual objectives, financial situation, tax position or particular needs.

8.12.1 General risks associated with your investment in APD

As with any entity with listed securities on ASX, the future prospects and operating and financial performance of APD and the price of APD Securities may be affected by a variety of factors, including:

- (a) changes in investor sentiment and overall performance of the Australian securities market;
- (b) changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, employment, credit markets, consumer confidence and demand, housing prices and turnover and other industry specific factors;
- (c) changes in government fiscal, monetary, taxation, employment and regulatory policies;
- (d) changes in laws and regulations including accounting and financial reporting standards;
- (e) government intervention in export and import markets, including sanction controls and import duties; and
- (f) natural disasters, catastrophes and disease or pandemic (including the outbreak, escalation or impact of, and recovery from, the COVID-19 pandemic) and other macroeconomic occurrences, including but not limited to geopolitical events such as an outbreak of hostilities, acts of terrorism and international conflicts.

8.12.2 Specific risks associated with your investment in APD

Risk	Description
Business pipeline risk	APD relies on the ability of management to identify and source suitable investment opportunities. Such opportunities are subject to, among other things, competitive tension, market conditions and other conditions beyond the control of APD management.
Reputation risk	APD could be negatively impacted by any damage to its brand or reputation which could in turn affect the business and financial performance of APD. Such factors could result in an inability to provide investors with the quality of service that they expect, disputes or litigation with third parties, employees (including in relation to their employment arrangements) or suppliers.
Real estate and fund management market risk	APD's business is the management of listed and unlisted property funds in Australia. APD is inherently exposed to the broader real estate sector. A downturn in the market could result in a reduction of asset values and revenue.

Risk	Description
Real estate and fund management market risk <i>(continue)</i>	Some specific risks include the potential for one or more of the funds managed by APD to underperform in a material way or for a prolonged period in a way that either results in a reduction of fees paid to APD or has a negative effect on APD's ability to retain existing funds or attract new assets. Where APD has co-invested in the relevant underperforming fund that could also have an adverse impact on APD. APD is also exposed to risks which are common to most fund managers, such as the risk of actions being initiated to remove funds (including the listed REITs) from the management of APN FM or an inability to launch new funds in the future. APD maintains co-investments in the listed ADI and AQR. As a result, APD is exposed to the unit price movements of both ADI and AQR.
Valuation and sale risk	The value of fund property is influenced by many factors including the supply, demand, capitalisation rates, rentals, lease terms, tenants in occupation, property markets and economic conditions that exist at the time of valuation and/or sale. There is no guarantee that a property valuation will not fall as a result of assumptions upon which the relevant valuation is based upon proving to be incorrect or that a property will achieve a capital gain on sale.
Funding risk	Both APD, and the underlying funds managed by APD, rely on access to debt financing to execute their business strategies. An inability to obtain the necessary funding on acceptable terms or a material increase in the costs of such funding could have a material adverse impact on the APD business.
Competitor risk	APD's ability to establish new listed or unlisted funds requires continual sourcing of equity from existing and new investors. Increased competition for investor equity, underperformance of funds managed by APD, changes in market conditions and other factors may together, or in isolation, result in limited availability of investor capital and make it difficult for APD to execute its growth strategy, which could have an adverse impact on APD's ability to grow.
Key management risk	The business strategy of APD is implemented by the APD Board and its management team. APD's continuing success will largely depend on the judgment and performance of the Board and management. The loss of services of any key personnel could negatively impact the performance of APD.

8.12.3 Unknown risks

Additional risks and uncertainties not currently known to APD may also have a material adverse effect on APD's financial and operational performance. The information set out in this Section 8.12 does not purport to be, nor should it be construed as representing, an exhaustive list of all the risks affecting APD, its business or an investment in APD Securities.

8.13 Publicly available information on APD

As an ASX listed company and a "disclosing entity" under the Corporations Act, APD is subject to regular reporting and disclosure obligations. Among other things, these obligations require APD to announce price sensitive information to ASX as soon as APD becomes aware of the information, subject to some exceptions.

Pursuant to the Corporations Act, APD is required to prepare and lodge with ASIC and ASX both annual and half-year financial reports accompanied by a statement and report from the APD Directors and an audit or review report respectively.

Copies of the documents filed with ASX may be obtained from ASX's website (www.asx.com.au) and APD's website (apngroup.com.au). Copies of the documents lodged with ASIC in relation to APD may be obtained from, or inspected at, an ASIC office.

8.14 Interests of APD Directors in APD

APD Director	Position	Relevant Interest in APD Securities (excluding unvested APD Rights but including any Restricted Securities ¹⁷ (if applicable))	Unvested APD Rights	Relevant Interest in APD Securities (as a percentage of all APD Securities and including any Restricted Securities and excluding any unvested APD Rights)
Chris Aylward	Non-Executive Chairman (APN PG and APN RE)	81,500,000 ¹⁸	N/A	24.7%
Howard Branchley	Independent Director (APN PG and APN RE)	9,776,309	N/A	3.0%
Clive Appleton	Independent Director (APN PG and APN RE)	4,815,002* <i>Includes 3,900,001 Restricted Securities that are subject to an Employee Share Scheme Loan. As at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet), the balance of such loan is approximately \$1.2 million. This loan amount will be repaid by or on behalf of Mr Appleton out of the Scheme Consideration in respect of his Restricted Securities. Refer to Section 8.16.1 of this Scheme Booklet for further details.</i>	N/A	1.5%
Danielle Carter	Independent Director (APN PG and APN RE)	129,388	N/A	0.04%
Tim Slattery	Chief Executive Officer (APN PG)	12,644,291* <i>Includes 12,046,111 Restricted Securities that are subject to an Employee Share Scheme Loan. As at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet), the balance of such loan is approximately \$3.8 million. This loan amount will be repaid by or on behalf of Mr Slattery out of the Scheme Consideration in respect of his Restricted Securities. Refer to Section 8.16.1 of this Scheme Booklet for further details.</i>	7,500,000 Subscription price of \$0.57 per APD Security	3.8%

¹⁷ Restricted Securities are APD Securities which were acquired on the prior vesting of APD Rights under an APD Employee Share Scheme, with the issue price funded by an Employee Share Scheme Loan which remains outstanding.

¹⁸ Related entities of Chris Aylward have granted Bidder a Call Option over 65,580,060 APD Securities, equal in aggregate to 19.9% of issued APD Securities. For further details, refer to Section 9.8 of this Scheme Booklet.

No APD Director acquired or disposed of a Relevant Interest in any APD Securities in the four-month period ending on 11 June 2021, being the last practicable trading day prior to the date of this Scheme Booklet.

Subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal, each APD Director intends to cause to be voted all APD Securities in which they have a Relevant Interest in favour of the Resolutions.

No APD Director has any other interest, whether as a director, member or creditor of APD or otherwise, which is material to the Schemes, other than in their capacity as a holder of APD Securities or APD Rights.

8.15 Interests of APD Directors in Bidder

Other than Chris Aylward, who holds 56,000 securities (approximately 0.05%)¹⁹ in Dexu via a related entity, no other APD Director has a Relevant Interest in any securities of Bidder or any of its Related Bodies Corporate.

8.16 APD executive incentive arrangements

8.16.1 APD Rights

8.16.1.1 Overview

APD currently operates the following incentive plans under which APD Securities and/or APD Rights have been issued or granted: (i) Timothy Slattery Executive Share Plan; (ii) Employee Performance Securities Plan; (iii) Employee Share Purchase Plan; and (iv) Clive Appleton Share Trust (together, the **APD Employee Share Schemes**).

As at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet), the following securities were on issue under the APD Employee Share Schemes:

APD Employee Share Schemes	Restricted Securities	APD Rights
Timothy Slattery Executive Share Plan	12,046,111 Restricted Securities	7,500,000 unvested APD Rights
Employee Performance Securities Plan	2,265,367 Restricted Securities	12,590,778 unvested APD Rights
Employee Share Purchase Plan	27,000 Restricted Securities	N/A
Clive Appleton Share Trust	3,900,001 Restricted Securities	N/A

8.16.1.2 Treatment of Restricted Securities

All Restricted Securities will be Scheme Securities, and, if the Schemes become Effective, will be transferred to Bidder pursuant to the Schemes. All Restricted Securities were acquired on the prior vesting of APD Rights under an APD Employee Share Scheme, with the issue price funded by an Employee Share Scheme Loan which remains outstanding. Restricted Securities are fully vested and are beneficially owned by the relevant participant.

As the Restricted Securities are Scheme Securities, holders of Restricted Securities will receive the Scheme Consideration at the same time the Scheme Consideration is paid to other Scheme Securityholders, after the repayment of their outstanding Employee Share Scheme Loans.

¹⁹ Based on 1,075,565,246 total Dexu securities on issue (sourced from publicly available data as at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet)).

8.16.1.3 Cancellation of APD Rights

In accordance with the terms of the relevant APD Employee Share Schemes, the APD Rights would all fully vest upon the Schemes becoming Effective (if they had not already vested in the ordinary course).

Each holder of APD Rights has agreed, subject to the Schemes becoming Effective, that each of their APD Rights will be cancelled prior to the Implementation Date, in return for a cash payment equal to the Total Cash Value per APD Right less the issue price of the APD Security which would otherwise have been issued on vesting of the relevant APD Right. Holders of APD Rights will be paid the consideration for the cancellation of their APD Rights at the same time as the Scheme Consideration is paid. If the Schemes do not become Effective, the APD Rights will remain on issue and be subject to vesting in accordance with the conditions which apply to such APD Rights. The vesting conditions for the existing APD Rights would be assessed based on APD's performance as at and for the period ended 30 June 2021. Based on the knowledge of the APD Directors as at the date of this Scheme Booklet, if the Schemes do not become Effective, it is expected that, a majority of the APD Rights, including all APD Rights held by Tim Slattery, would vest and participants would be issued Restricted Securities following finalisation of APD's financial statements for FY21.

8.16.2 Short term incentives and transaction bonuses

APD and Bidder agreed under the Scheme Implementation Deed that APD may make certain short term incentive and other payments in respect of the financial year ending 30 June 2021. The APD Board has discretion to determine individual payments up to the maximum amount that is payable in accordance with the relevant employee's entitlements under APD's short term incentive plans. In addition, the APD Board may pay bonuses in connection with the Transaction to APD Group employees up to an aggregate maximum amount of \$650,000. As at 11 June 2021 (being the last practicable trading day prior to despatch of this Scheme Booklet), final decisions have not been made about the recipients, quantum or timing of these payments, however some of the payments may be made on or before the Implementation Date.

8.17 Benefits and agreements

8.17.1 Other payments

No payment or other benefit is proposed to be made or given to a director, secretary or executive officer of APD or any member of the APD Group as compensation for loss of, or as consideration for or in connection with their retirement from, office in APD or any member of APD Group as a result of the Schemes. Other than any payments or benefits disclosed in the table in Section 8.14 of this Scheme Booklet, Section 8.16 of this Scheme Booklet or this Section 8.17, no payment or other benefit is proposed to be made or given to a director, secretary or executive officer of APD or any member of the APD Group as a result of the Schemes.

9. Information about Bidder and Dexu

9.1 Introduction

The information contained in this Section 9 has been prepared by Bidder. The information concerning Bidder, Dexu and their respective group companies and the intentions, views and opinions contained in this Section 9 are the responsibility of Bidder.

APD and its Directors, employees, officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

9.2 Overview of Bidder

Bidder is a special purpose company that was incorporated for the purpose of holding 100% of the APD Securities following implementation of the Schemes.

Bidder is an unlisted proprietary limited company incorporated in Australia. All of the shares in Bidder are owned by Dexu Holdings Pty Limited, which is controlled by Dexu Operations Trust (ARSN 110 521 223) (**DXO**), one of the four stapled trusts that comprise Dexu²⁰. As at the date of this Scheme Booklet, Bidder does not own any assets and does not have any liabilities, other than in connection with its incorporation, the entry into documents in connection with the Schemes and the taking of actions to facilitate the implementation of the Schemes.

9.3 Overview of Dexu

9.3.1 Overview

Dexu is one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at \$36.5 billion²¹. Dexu's directly owned portfolio comprises \$15.5 billion²² of office, industrial and healthcare properties and Dexu manages a further \$21.0 billion²³ of properties for third party capital partners. The group's \$11.5 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns.

Dexu is a Top 50 entity by market capitalisation listed on the ASX (trading code: **DXS**) and is supported by more than 29,000 investors from 24 countries.

With 36 years of expertise in property investment, development and asset management, Dexu has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors.

²⁰ As announced on 22 April 2021 and 9 February 2021. Dexu has received securityholder approval to simplify its corporate structure from quadruple stapled trust structure to a group comprising two stapled trusts, being DXO (one of the existing Dexu trusts) and Dexu Property Trust (ARSN 648 526 470) (a new registered managed investment scheme). There will be no change to Dexu's underlying business and operations after the proposal is implemented.

²¹ Figures are as at 31 December 2020, pro forma for the merger of ADPF and DWPF (prior to circa \$2 billion of redemptions) as well as the previously announced sales of Grosvenor Place, Sydney, 60 Miller Street, North Sydney, 10 Eagle Street, Brisbane, acquisition of an interest in 1 Bligh Street, Sydney, and previously announced industrial and healthcare acquisitions.

²² See footnote 21.

²³ See footnote 21.

9.3.2 Business operations

Dexus' current strategy remains focused on its core strengths of owning and managing high quality real estate in Australia's major cities to deliver superior risk-adjusted returns for investors. Dexus has two strategic objectives that underpin this strategy:

- leadership in office: being the leading owner and manager of Australian office property; and
- wholesale partner of choice: being the partner of choice for funds management in Australian property.

Dexus' strategy



Dexus' sustainability approach



Dexus' objectives of leadership in office and wholesale partner of choice complement each other and are supported by three key strategic initiatives of:

- increasing the resilience of portfolio income streams;
- expanding and diversifying our funds management business; and
- progressing the group development pipeline.

Dexus' sustainability approach is used as a lens to integrate ESG risks and opportunities into our strategy and property and funds management activities, creating sustained value for Dexus investors (including third party capital partners), employees, customers, suppliers and communities.

On behalf of third party capital partners, Dexus manages a diverse, high quality \$21.0 billion²⁴ portfolio across the Australian office, retail, industrial and healthcare property sectors. Dexus' full-service integrated platform provides access to multi-sector expertise in:

- investment management, underpinned by best practice corporate governance principles, and a track record of delivering fund out-performance;
- asset management, with strong sector leasing capabilities supported by deep market relationships and the benefits of platform scale;
- development management, with a demonstrated record in delivering income-enhancing projects; and
- transactional capabilities, which unlock opportunities and outcomes that support clients' investment objectives.

Dexus has a long history of delivering strong performance for its third-party capital partners. For more than 35 years Dexus has developed and managed high-quality real estate investments that deliver superior workspace solutions for its customers. As one of the largest office, industrial and healthcare investment managers in Australia, scale provides Dexus with valuable insights and relationships that deliver the best outcomes for its customers.

²⁴ See footnote 21.

9.3.3 Dexu's board of directors

Dexus Funds Management Limited (**Dexus RE**) is the responsible entity for each of the four trusts that comprise Dexus. The Dexus RE Board is responsible for the overall corporate governance of Dexus and as at the date of this Scheme Booklet is comprised of:

- Richard Sheppard (Chair and independent director);
- Darren Steinberg (Chief Executive Officer);
- Patrick Allaway (independent director);
- Penelope Bingham-Hall (independent director);
- Tonianne Dwyer (independent director);
- Mark Ford (independent director);
- Warwick Negus (independent director);
- The Hon. Nicola Roxon (independent director); and
- Peter St George (independent director).

Dexus' executive leadership team comprises the following executives:

- Darren Steinberg (Chief Executive Officer);
- Melanie Bourke (Chief Operating Officer);
- Brett Cameron (General Counsel and Company Secretary);
- Deborah Coakley (Executive General Manager, Funds Management) ;
- Ross Du Vernet (Chief Investment Officer);
- Kevin George (Executive General Manager, Office);
- Alison Harrop (Chief Financial Officer);
- Jonathan Hedger (Executive General Manager, Group Strategy);
- Stewart Hutcheon (Executive General Manager, Industrial, Retail and Healthcare); and
- David Yates (Executive General Manager, Investor Relations, Communications and Sustainability).

9.3.4 Rationale for Bidder's proposed acquisition of APD

The proposed transaction is aligned with Dexus' strategy to expand and diversify its funds management business. The combined group will have a funds management platform with approximately \$23.9 billion of FUM²⁵, and will span wholesale pooled property funds, joint venture partnerships, listed REITs, unlisted direct property syndicates and securities products.

9.4 Funding arrangements for the Scheme Consideration

9.4.1 Scheme Consideration

If the Schemes become Effective, Bidder will pay:

- (a) the Scheme Consideration in cash equal to 90.0 cents per APD Security; and
 - (b) an amount to relevant holders of APD Rights under APD Employee Share Schemes in consideration for the cancellation of such rights in accordance with the Scheme Implementation Deed and as described in Section 8.16.1.3 of this Scheme Booklet,
- (together, the **Scheme Costs**).

The maximum amount of cash payable by Bidder in connection with the Schemes will be approximately \$304 million.

²⁵ Figures are as at 31 December 2020, pro forma to include new APN funds, the merger of ADPF and DWPF (prior to circa \$2 billion of redemptions) as well as the previously announced sales of Grosvenor Place, Sydney, 60 Miller Street, North Sydney, 10 Eagle Street, Brisbane, acquisition of an interest in 1 Bligh Street, Sydney, and previously announced industrial and healthcare acquisitions.

9.4.2 Funding source

Bidder is able to fund the Scheme Costs through equity committed by Dexus RE as responsible entity of DXO and Dexus RE as responsible entity of DDF, as described below.

On 26 May 2021, Bidder entered into equity commitment letters with DXO and DDF pursuant to which DXO and DDF have each undertaken to provide Bidder with sufficient funds in aggregate to enable Bidder to pay the Scheme Costs.

Through the Bidder Group, DXO and DDF have access to sufficient cash reserves and undrawn debt facilities to fund their obligations under these equity commitment letters. DXO and DDF will ensure that they retain access to these cash reserves and undrawn debt facilities until the Implementation Date. The undrawn debt facilities available to DXO and DDF are not subject to any material conditions which are outside the control of the Bidder Group.

9.4.3 Certainty of funding

On the basis of the arrangements described in this Section 9, Bidder is of the opinion that it has a reasonable basis for holding the view, and holds the view, that it will be able to satisfy the funding commitment described in this Section 9.

9.5 Bidder's intentions if the Schemes are implemented

Set out below are Bidder's present intentions if the Schemes are implemented.

Dexus' intentions are the same as the intentions of Bidder.

The statements in this Section 9 are statements of present intention only and are based on information concerning APD, its business and the general business environment that are known to Bidder as at the date of this Scheme Booklet.

Bidder does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions. Final decisions regarding these matters will only be made by Bidder in light of all material information and circumstances at the relevant time. Accordingly, the statements set out in this Section 9 are statements of current intention only, which may change as new information becomes available to Bidder or as circumstances change.

9.5.1 Corporate matters

If the Schemes are implemented, Bidder will become the holder of all APD Securities.

Following the Implementation Date:

- APD Securities will be removed from the official list of the ASX; and
- Bidder intends to replace the APD Board with its own nominees.

The final composition of the APD Board after implementation of the Schemes has not been determined as at the date of this Scheme Booklet. Final decisions on the composition of the APD Board after implementation of the Schemes will be made in light of the circumstances at the relevant time.

Bidder intends to maintain the current independent board structure of APN FM across the existing APD funds managed by it.

Bidder intends to deregister APD Trust as a registered managed investment scheme in due course, noting that it is intended that APN RE will continue as trustee of APD Trust following that deregistration.

9.5.2 APD's operations

Bidder will seek to integrate APD's business and leverage Dexus' real estate management platform and capabilities, however it otherwise intends to operate APD substantially in the same way, including through seeking to grow existing and new funds.

Bidder's current intention is to maintain the existing strategies of APD's existing funds.

9.5.3 Executive team and employees and business locations

Bidder intends to maximise retention of APD's executives, fund managers and other employees to ensure continuity and does not anticipate any disruption to business or fund management operations. It is intended that the APD employees will continue to be based in Melbourne.

9.6 Dexus' interests in APD

9.6.1 Dealing in APD Securities in previous four months

Other than as disclosed in this Section 9 and the substantial holder notices lodged by Dexus, none of Bidder nor any of its Associates has provided or agreed to provide consideration for any APD Securities under a purchase or agreement during the period of four months before the date of this Scheme Booklet except for the Scheme Consideration which Bidder has agreed to provide under the Schemes.

9.6.2 Benefits to holders of APD Securities

Other than as disclosed in this Section 9 and the substantial holder notices lodged by Bidder, during the four months before the date of this Scheme Booklet, none of Bidder nor any of its Associates has given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person or an Associate to:

- vote in favour of the Schemes; or
- dispose of APD Securities,

where the benefit was not offered to all APD Securityholders.

9.6.3 Benefits to APD officers

None of Bidder or any of its Associates will be making any payment or giving any benefit to any current officers of APD as compensation or consideration for, or otherwise in connection with, their resignation from their respective offices if the Schemes are implemented.

9.7 Bidder's substantial securityholders

Based on publicly available information, as at 11 June 2021 (being the last practicable trading day prior to the date of this Scheme Booklet), the substantial Securityholders in Dexus were as follows:

Name	Percentage of total Dexus shares
Vanguard Group	11.16%
Blackrock Group	9.83%
State Street Corporation	6.98%

9.8 Call Option Deed

Bidder has entered into the Call Option Deed with related entities of APD's Chairman, Chris Aylward (**Call Option Counterparties**) pursuant to which the Call Option Counterparties granted Bidder an option to acquire the Call Option Securities (representing 19.9% of APD Securities) (**Call Options**). The Bidder required that the Call Option Counterparties entered into the Call Option Deed before entering into the Scheme Implementation Deed.

The exercise price under the Call Option Deed is the price per Call Option Security to be paid by Bidder under the Schemes, provided that if a Call Option Counterparty becomes entitled to the Permitted Distribution before the Call Option it has granted under the Call Option Deed is exercised, the exercise price payable to it will be reduced by the dollar value of the distribution per Call Option Security.

Bidder may exercise a call option at any time during and prior to 11:59pm on the date that is the earlier of 11 November 2021 and such other date as agreed by Bidder and the Call Option Counterparties (**Call Option Period**) if a Competing Proposal has been publicly announced.

If Bidder acquires any Call Option Securities under the Call Option Deed and sells, disposes or transfers all or some of such Call Option Securities to a person making a Competing Proposal or to any other person within 24 months, Bidder must pay the relevant Call Option Counterparty the price or value per Call Option Security received by Bidder.

Each Call Option lapses if it is not validly exercised before the earlier of:

- (a) the end of the Call Option Period;
- (b) resolutions in favour of the APN PG Scheme and the Trust Scheme being passed by the Requisite Majorities;
- (c) the Scheme Implementation Deed terminates or is terminated in accordance with its terms; or
- (d) Bidder terminates the Call Option Deed.

The Call Option Deed does not contain any restrictions on the Call Option Counterparties' right to vote for or against any resolution proposed in relation to APD (including the Resolutions) before the Call Option is exercised.

9.9 Other material information

Except as set out in this Section 9, so far as the directors of Bidder are aware, there is no other information regarding Bidder, or its intentions regarding APD, that is material to the making of a decision by an APD Securityholder on whether or not to vote in favour of the Schemes, being information that is within the knowledge of any director of Bidder as at the date of this Scheme Booklet, which has not been previously disclosed to APD Securityholders.

10. Tax implications for APD Securityholders

10.1 Introduction

This Section 10 is a general outline of the key Australian tax consequences for certain APD Securityholders that arise as a result of the disposal of their APD Securities under the Schemes (assuming they become Effective) and the receipt of the Permitted Distribution. The tax consequences for each APD Securityholder will vary depending on their specific profile, characteristics and circumstances. Accordingly, this outline is not tax advice and should not be relied on as such. Instead, each APD Securityholder should obtain professional tax advice having regard to their own particular circumstances.

This outline is based on the Australian tax laws and administrative practices of the ATO as at the date of this Scheme Booklet (to the extent that those practices are publicly known). However, it is general in nature and is not a complete description of all tax implications that might apply to the particular circumstances of an APD Securityholder.

This outline is only relevant to APD Securityholders who hold their APD Securities on capital account for Australian tax purposes. This outline does not apply to persons or entities:

- who are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to gains and losses on their APD Securities;
- who are subject to special tax rules applicable to certain classes of entities such as the investment manager regime in Subdivision 842-I of the ITAA 1997, tax exempt organisations, partnerships, insurance companies, or superannuation funds with accounts in a tax-free pension phase;
- who hold their APD Securities on revenue account or as trading stock;
- who acquired their APD Securities, or any rights in relation to the APD Securities, pursuant to an employee share or option plan;
- who are under a legal disability;
- who are taken to have acquired their APD Securities before 20 September 1985; or
- who are non-residents who currently hold, or have at any time held, APD Securities through a permanent establishment in Australia, who are temporary residents of Australia or who have changed residence while holding APD Securities.

This outline does not take into account the tax laws of any other jurisdiction.

10.2 Disposal of APD Securities

10.2.1 Residents

10.2.1.1 CGT consequences of the Schemes

A CGT event will happen to APD Securityholders when they dispose of their APD Securities under the Schemes on the Implementation Date (being the date on which the APD Securities are acquired by Bidder).

For CGT purposes, each APD Security is considered to comprise two separate assets, being an APD Share and an APD Trust Unit. Therefore, an APD Securityholder will be treated as having disposed of each of their APD Shares and APD Trust Units under the Schemes for Australian tax purposes and a separate CGT calculation will need to be performed for each asset.

APD Securityholders will need to apportion on a reasonable basis the Scheme Consideration for each APD Security between the APD Share and APD Trust Unit that are disposed of to determine the portion of the capital proceeds attributed to the APD Share and APD Trust Unit.

The Permitted Distribution to be paid by APD of 1.5 cents per APD Security should not constitute capital proceeds from the disposal of APD Securities as the payment of the Permitted Distribution is not conditional on the Schemes and will be paid irrespective of whether the Schemes proceed.

A capital gain should arise to an APD Securityholder where the portion of the capital proceeds reasonably attributed to an APD Share is greater than the cost base of that APD Share for CGT purposes. Similarly, a capital gain should arise to an APD Securityholder where the portion of the capital proceeds reasonably attributed to an APD Trust Unit is greater than the cost base of that APD Trust Unit for CGT purposes.

A capital loss should arise to an APD Securityholder where the portion of the capital proceeds reasonably attributed to an APD Share is less than the reduced cost base of that APD Share. Similarly, a capital loss should arise to an APD Securityholder where the portion of the capital proceeds reasonably attributed to an APD Trust Unit is less than the reduced cost base of that APD Trust Unit for CGT purposes. A capital loss from the disposal of an APD Security may be used to offset a capital gain made in the same income year or may be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests. Capital losses cannot reduce or offset other income or non-capital gains.

APD Securityholders will need to apportion on a reasonable basis the total cost base or reduced cost base for each APD Security between the APD Share and APD Trust Unit that are disposed of to determine the portion of the cost base or reduced cost base attributed to that APD Share and APD Trust Unit. The cost base of an APD Share or APD Trust Unit should generally include the amount paid to acquire that APD Share or APD Trust Unit, which includes certain incidental costs (such as brokerage fees) related to the acquisition, holding and disposal of that APD Share or APD Trust Unit. The cost base may also be reduced by the amount of any non-taxable distributions received in relation to the APD Share or APD Trust Unit, including any non-taxable part of the Permitted Distribution. The reduced cost base of the APD Share or APD Trust Unit is usually determined in a similar, but not identical, manner.

10.2.1.2 CGT discount

If an APD Securityholder is a resident of Australia for Australian income tax purposes and is an individual, complying superannuation entity or trust which acquired their APD Securities at least 12 months before the Implementation Date (excluding the date of acquisition and the date of disposal), the amount of a capital gain from the disposal of the APD Security may be reduced (after being reduced for current year capital losses and prior year capital losses, if any) by the applicable CGT discount percentage. The CGT discount percentage for individuals and trusts is 50% and the CGT discount percentage for complying superannuation entities is 33⅓%.

The CGT discount is not available to APD Securityholders that are companies.

Any resulting net capital gain (that is, the amount remaining after application of any available capital losses, available CGT discount and/or concessions) should be included in an APD Securityholder's assessable income and subject to Australian income tax at the applicable marginal tax rate.

10.2.2 Non-residents

10.2.2.1 CGT consequences of the Schemes

Generally, an APD Securityholder that is a non-resident of Australia for Australian income tax purposes should not have to pay Australian income tax on any capital gain arising on the disposal of their APD Securities unless their APD Shares or APD Trust Units are characterised as "indirect Australian real property interests".

An APD Securityholder's APD Shares may be treated as indirect Australian real property interests if both of the following requirements are satisfied:

- the APD Securityholder, together with its 'associates' (as defined in section 318 of the ITAA 1936), held a combined interest of at least 10% in APN PG either at the time the APD Shares were disposed of (or were taken to have been disposed of) or for at least 12 months during the 24 months before the APD Shares were disposed of (for CGT purposes); and
- more than 50% of the value of APN PG's assets is attributed to direct or indirect interests in Australian real property or certain mining and exploration leases and licences (**Principal Asset Test**). The Principal Asset Test must be assessed at the time of the relevant disposal.

Where both of the above requirements are satisfied, non-resident APD Securityholders may be liable for tax on gains from the disposal of their APD Shares and may be required to lodge a tax return in connection with the disposal of their APD Shares.

The above analysis applies equally in determining whether an APD Securityholder's APD Trust Units are indirect Australian real property interests as though references to APD Shares are to APD Trust Units and references to APN PG are to APD Trust.

10.2.2.2 Non-resident capital gains withholding

Broadly, where a non-resident disposes of an asset that is a direct interest in taxable Australian real property or is an indirect Australian real property interest (discussed above), the purchaser may be required to withhold an amount equal to 12.5% of the first element of the cost base of the asset to the purchaser (which would usually equal the total consideration paid to acquire the asset) (**CGT Withholding**).

Bidder may have an obligation to deduct and pay CGT Withholding from Scheme Consideration otherwise payable to an APD Securityholder if the APD Securityholder's APD Shares or APD Trust Units are indirect Australian real property interests and Bidder:

- knows or reasonably believes that the relevant APD Securityholder is a foreign resident; or
- does not reasonably believe that the relevant APD Securityholder is an Australian resident, and either:
 - the relevant APD Securityholder has an address outside Australia; or
 - Bidder is authorised to provide a related financial benefit to a place outside Australia (whether to the relevant APD Securityholder or to anyone else).

If, for example, an APD Securityholder's APD Trust Units were indirect Australian real property interests and the APD Securityholder had an address outside Australia, the CGT Withholding would generally equate to 12.5% of the Scheme Consideration attributable to the APD Trust Units. That amount must be withheld and paid by Bidder to the ATO.

However, Bidder should not be required to withhold and remit CGT Withholding if an APD Securityholder provides Bidder with a completed declaration (**Non-Withholding Declaration**) that it is an Australian tax resident, or that its APD Shares or APD Trust Units (as applicable) are not indirect Australian real property interests and Bidder does not know the Non-Withholding Declaration to be incorrect. The CGT Withholding may also be reduced or eliminated if the APD Securityholder obtains a valid notice of variation from the ATO.

Bidder will liaise with APD to determine whether Bidder will have an obligation to pay CGT Withholding in respect of an APD Securityholder's APD Shares or APD Trust Units that are indirect Australian real property interests. Bidder may communicate with relevant APD Securityholders to obtain a Non-Withholding Declaration if required, or a valid notice of variation granted by the ATO.

Any CGT Withholding withheld from Scheme Consideration payable to an APD Securityholder may be offset against the actual tax payable by the APD Securityholder on a capital gain from the disposal of the relevant APD Securities and should be refundable by the ATO to the extent that the CGT Withholding exceeds the actual tax payable.

10.3 Permitted Distribution

10.3.1 Residents

APD Securityholders who are Australian residents for Australian income tax purposes and who receive a Permitted Distribution should generally be required to include the following amounts in their assessable income:

- the amount of any dividend in respect of their APD Shares; and
- the taxable components of any distribution in respect of their APD Trust Units.

In relation to any franked dividend component of the Permitted Distribution received in respect of the APD Shares, APD Securityholders will also be required to include the attached franking credits in their assessable income and will be entitled to a corresponding tax offset for the franking credits provided they satisfy the “45 day rule” (discussed below). APD Securityholders that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits where the tax offset exceeds their tax liability for the income year. APD Securityholders that are companies will not be entitled to a refund of any excess tax offset but instead may convert any excess tax offset to a tax loss for the income year.

For an Australian resident APD Securityholder to satisfy the “45 day rule”, they must hold their APD Securities “at risk” for a continuous 45 day period within the “qualification period” (excluding the date of acquisition and disposal of their APD Securities). On the basis that the Permitted Distribution Record Date will be 30 June 2021, the qualification period for the Permitted Distribution will be from 17 May 2021 to 15 August 2021 (inclusive).

APD Securityholders should not be treated as holding their APD Securities at risk on and from the Scheme Record Date and on any days on which APD Securityholders held positions that reduced their exposure to gains and losses in respect of the APD Securities to below 30%.

Any non-taxable components of distributions in respect of an APD Securityholder’s APD Trust Units should reduce the cost base of those units. To the extent that the non-taxable components exceed the cost base (i.e. the cost base is reduced to nil), the APD Securityholder should make a capital gain equal to the excess.

10.3.2 Non-residents

APD Trust is a managed investment trust (**MIT**) for Australian tax purposes.

To the extent that any Permitted Distribution consists of a fully franked dividend paid in relation to the APD Shares, it should be non-assessable non-exempt income for non-resident APD Securityholders. They should not include the Permitted Distribution in their assessable income for Australian income tax purposes and they should not be liable for Australian dividend withholding tax.

To the extent that any Permitted Distribution consists of an unfranked dividend paid in relation to the APD Shares, non-resident APD Securityholders should be subject to dividend withholding tax of 30%, which may be reduced for APD Securityholders resident in a country that has a double tax agreement with Australia.

Any part of the Permitted Distribution which consists of distributions from the APD Trust may be subject to non-resident withholding tax where the distributions consist of Australian-sourced dividends, interest or royalties. Generally, the rates of withholding tax are 30% for unfranked dividends, 10% for interest or 30% for royalties, which may be reduced for APD Securityholders resident in a country that has a double tax agreement with Australia.

Subject to the APD Trust continuing to qualify as a MIT, distributions to non-resident APD Securityholders of Australian-sourced income other than dividends, interest, royalties or capital gains on the disposal of CGT assets that are not taxable Australian property (e.g. rental income) may be subject to a concessional rate of MIT withholding tax, which is 15% where the non-resident APD Securityholder is resident in a country with which Australia has an “exchange of information” agreement, or 30% for all other non-resident APD Securityholders.

There should be no requirement for non-resident APD Securityholders to lodge income tax returns in Australia if the only income they derive consists of Australian-sourced dividends, interest or royalties, or amounts which are subject to the MIT concessional withholding tax rate.

10.4 GST

APD Securityholders should not be liable to GST in respect of a disposal of their APD Securities under the Schemes.

APD Securityholders may be charged GST on costs (such as adviser fees relating to their participation in the Schemes) that relate to the Schemes. APD Securityholders may be entitled to input tax credits or reduced input tax credits for such costs but should seek independent advice in relation to their own specific circumstances.

11. Additional information

This Section 11 sets out the statutory information required under section 412(1) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations, but only to the extent that this information is not otherwise disclosed in other Sections of this Scheme Booklet. This Section 11 also includes additional information that the APD Directors consider may be material to a decision on how to vote on the Resolutions, but only to the extent that such information is not disclosed elsewhere in this Scheme Booklet.

An electronic version of this Scheme Booklet, including the Independent Expert's Report and the Scheme Implementation Deed, is available for viewing and download online at APD's website (apngroup.com.au).

11.1 ASIC Relief and ASX waivers

11.1.1 ASIC Relief

ASIC has granted APD the following relief:

- (a) (Division 2 of Part 7.7 of the Corporations Act – financial services guide) relief from the requirement to provide a financial services guide in respect of any financial services provided in relation to this Scheme Booklet;
- (b) (section 911A of the Corporations Act – AFSL) relief from the requirement for APN PG to hold an AFSL in relation to any financial product advice provided in this Scheme Booklet; and
- (c) (section 611 Item 7 of the Corporations Act – voting exclusion) modifications to allow Trust Unitholders to consider and, if they so wish, vote in favour of the Resolutions necessary for the Trust Scheme to proceed.

ASIC has granted Bidder the following relief:

- (a) (section 611 Item 7 of the Corporations Act – voting exclusion) modifications to allow Trust Unitholders to consider and, if they so wish, vote in favour of the Resolutions necessary for the Trust Scheme to proceed; and
- (b) (Division 5A of Part 7.9 of the Corporations Act – unsolicited offer) relief in relation to any unsolicited offer to acquire the Trust Scheme Units under the Trust Scheme.

In addition, regulation 5.1.01 of the Corporations Regulations requires that, unless ASIC allows otherwise, this Scheme Booklet must contain all matters set out in Part 3 of Schedule 8 of the Corporations Regulations. As some of these requirements are not applicable or appropriate in respect of the Schemes, ASIC has allowed the following variations in this Scheme Booklet.

Clause 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations requires this Scheme Booklet to set out whether, within the knowledge of the APD Directors, the financial position of APD has materially changed since the date of the last balance sheet laid before APD in general meeting (being its financial statements for the financial year ended 30 June 2020) or sent to APD Securityholders in accordance with section 314 or 317 of the Corporations Act, and, if so, full particulars of any change. ASIC has granted APD relief from this requirement so that this Scheme Booklet only needs to set out whether, within the knowledge of the APD Directors, the financial position of APD has materially changed since 31 December 2020 (being the balance date of the half-year financial results and accounts lodged with ASX) and the date of this Scheme Booklet, on the basis that:

- (a) APD has complied with Division 2 of Part 2M.3 of the Act in respect of the half-year ended 31 December 2020;
- (b) APD discloses all material changes in its financial position occurring after the half-year ended 31 December 2020, and prior to the date of this Scheme Booklet, within the knowledge of the directors of APD, in this Scheme Booklet;

- (c) APN PG released its audited financial statements in respect of the half year ended 31 December 2020 to ASX on 18 February 2021;
- (d) APD discloses, in announcements to the market operated by ASX, any material changes to its financial position that occur after the date of lodgement of this Scheme Booklet for registration with ASIC but prior to the APN PG Scheme being approved by the Court; and
- (e) this Scheme Booklet states that APD will give a copy of the financial statements for the financial year ended 30 June 2020 and half-year ended 31 December 2020 to anyone, free of charge, who requests a copy before the APN PG Scheme to which this Scheme Booklet relates is approved by order of the Court.

Copies of the relevant ASIC instruments of relief will be provided to any APD Securityholder free of charge upon request until the Implementation Date. APD Securityholders can contact the APD Securityholder Information Line on 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia), 8:30am to 5:30pm (Melbourne time) Monday to Friday (excluding public holidays).

11.1.2 ASX waivers

ASX has notified APD that it:

- (a) approves or does not object to the proposed modifications to the APD Trust Constitution as set out in the APD Trust Supplemental Deed for the purposes of ASX Listing Rule 6.12.3 and ASX Listing Rule 15.1.1; and
- (b) approves or does not object to the timetable for implementation of the Schemes.

In addition, ASX has granted APD a waiver from ASX Listing Rule 6.23.2 to the extent necessary to permit the treatment of the APD Rights as set out in Section 8.16.1 of this Scheme Booklet.

A copy of the relevant ASX instrument(s) will be provided to any APD Securityholder free of charge upon request until the Implementation Date. APD Securityholders can contact the APD Securityholder Information Line on 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia), 8:30am to 5:30pm (Melbourne time) Monday to Friday (excluding public holidays).

11.2 Consents and disclosures

- (a) The following parties have given, and have not withdrawn before the date of this Scheme Booklet, their consent to be named in this Scheme Booklet in the form and context in which they are named:
 - (i) Grant Samuel, as financial adviser to APD;
 - (ii) Link Market Services Limited, as the manager of the Security Register; and
 - (iii) Gilbert + Tobin, as legal and tax adviser to APD in relation to the Schemes.
- (b) The Independent Expert has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Independent Expert's Report in Appendix B of this Scheme Booklet and to the references to the Independent Expert's Report in this Scheme Booklet being made in the form and context in which each such reference is included.
- (c) Bidder has given and has not withdrawn its consent to be named in this Scheme Booklet and in relation to the inclusion of the Bidder Information in this Scheme Booklet in the form and context in which that information is included.
- (d) Dexu has given and has not withdrawn its consent to be named in this Scheme Booklet and in relation to the inclusion of the Bidder Information in this Scheme Booklet in the form and context in which that information is included.
- (e) Dexu RE has given and has not withdrawn its consent to be named in this Scheme Booklet and in relation to the inclusion of the Bidder Information in this Scheme Booklet in the form and context in which that information is included.

- (f) Each person named in this Section 11.2:
 - (i) has not authorised or caused the issue of this Scheme Booklet;
 - (ii) does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than as specified in this Section 11.2; and
 - (iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet, other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this Section 11.2.

11.3 No unacceptable circumstances

The APD Directors believe that the Schemes do not involve any circumstances in relation to the affairs of APD that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

11.4 Other information material to the making of a decision in relation to the Schemes

11.4.1 Continuous disclosure

APD is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. APD has an obligation (subject to limited exceptions) to notify ASX immediately upon becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of APD Securities.

Copies of documents filed with ASX may be obtained from ASX’s website (www.asx.com.au).

In addition, APD is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to APD may be obtained from, or inspected at, an ASIC office.

11.4.2 Other material information

Other than as contained or referred to in this Scheme Booklet, including the Independent Expert’s Report and the information that is contained in the Appendices of this Scheme Booklet, so far as the APD Directors are aware, there is no information material to the making of a decision by APD Securityholders in relation to the Schemes, being information that is within the knowledge of any APD Director or director of the APD Group, as at the date of this Scheme Booklet, which has not been previously disclosed to APD Securityholders.

11.4.3 Fees and expenses

If the Schemes are implemented, APD expects to pay (in aggregate) approximately \$2.8 million (excluding GST and disbursements) in Transaction Costs. This includes advisory fees for APD’s financial, legal, accounting and tax advisers, the Independent Expert’s fees, general administrative fees, Scheme Booklet design, printing and distribution costs, expenses associated with convening and holding the Scheme Meetings, and Registry and other expenses.

In aggregate, if the Schemes are not implemented, APD expects to pay approximately \$1.37 million (excluding GST and disbursements) in Transaction Costs, excluding any Break Fee that may be payable to Bidder.

12. Glossary

ADI means APN Industria REIT.

AFSL means an Australian Financial Services Licence.

Aggregate Scheme Consideration means the Scheme Consideration multiplied by the total number of Scheme Securities.

APD or APN Property Group means APN PG and APN RE and/or APN PG and APD Trust (as the context requires).

APD Board means the board of directors of APN PG and the board of directors of APN RE (in its capacity as responsible entity of the APD Trust).

APD Director or **Director** means a director of APN PG and/or a director of APN RE.

APD Employee Share Schemes means the Timothy Slattery Executive Share Plan, the Employee Performance Securities Plan, the Employee Share Purchase Plan and the Clive Appleton Share Trust (as amended from time to time).

APD Group means, collectively, APD and its Related Bodies Corporate (including APN RE acting in its capacity as responsible entity of the APD Trust).

APD Information means all information in this Scheme Booklet other than the Bidder Information and the Independent Expert's Report.

APD Rights means an unlisted contractual right to acquire an APD Security pursuant to the APD Employee Share Schemes.

APD Security means an APD Share stapled to an APD Trust Unit.

APD Securityholder means a holder of one or more APD Securities, as shown in the Security Register.

APD Share means a fully paid ordinary share in the capital of APN PG.

APD Shareholder means a person who is registered in the Security Register as a holder of APD Shares.

APD Trust means the APD Trust (ARSN 629 330 007) whose units are stapled to shares of APN PG.

APD Trust Constitution means the constitution establishing the APD Trust as amended from time to time.

APD Trust Supplemental Deed means a deed poll under which APN RE will amend the APD Trust Constitution to effect the Trust Scheme in the form of Appendix E of this Scheme Booklet or such other form as agreed in writing between Bidder and APD.

APD Trust Unit means a fully paid ordinary unit in the APD Trust.

APN FM means APN Funds Management Limited (ACN 080 674 479).

APN PG means APN Property Group Limited (ACN 109 846 068).

APN PG Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between APN PG and APN PG Scheme Participants, in the form set out in Appendix D of this Scheme Booklet or such other form as agreed in writing between Bidder and APD.

APN PG Scheme Meeting means the meeting of APD Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act, and includes any adjournment of that meeting.

APN PG Scheme Participants means each person who is registered in the Security Register as at the Scheme Record Date as a holder of APD Shares.

APN PG Scheme Resolution means the resolution set out in the Notice of APN PG Scheme Meeting in Appendix A of this Scheme Booklet to agree to the terms of the APN PG Scheme.

APN RE means APN RE Limited (ACN 627 612 202) in its capacity as responsible entity of the APD Trust.

AQR means APN Convenience Retail REIT.

ASIC means the Australian Securities and Investments Commission.

ASIC Relief means an approval or consent referred to in Section 11.1.1 of this Scheme Booklet.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or, where the context requires, the financial market operated by it.

ASX Listing Rules means the official listing rules of ASX.

ATO means the Australian Taxation Office.

Bidder means Dexu Nominee Pty Limited (ACN 650 020 643).

Bidder Group means Bidder and its Related Bodies Corporate.

Bidder Information means:

- (a) the information contained in Section 9 of this Booklet;
- (b) the answer to the question “Who is Bidder?” in Section 5 of this Scheme Booklet; and
- (c) the information contained in the Section titled “Forward-looking statements – Bidder Information” on page 6 of this Scheme Booklet.

Break Fee means \$3,000,000.

Business Day has the meaning given in the ASX Listing Rules.

Call Option Counterparties has the meaning given in Section 9.8 of this Scheme Booklet.

Call Option Deed means the call option deed dated 11 May 2021 between, among others, Bidder and the Call Option Counterparties.

Call Option Period has the meaning given in Section 9.8 of this Scheme Booklet.

Call Option Securities means, in aggregate, 65,580,060 APD Securities.

Call Options has the meaning given in Section 9.8 of this Scheme Booklet.

CGT means capital gains tax.

CGT Withholding has the meaning given in Section 10.2.2.2 of this Scheme Booklet.

Competing Proposal means any expression of interest, proposal, offer, agreement, arrangement or transaction which is sufficiently detailed and credible to warrant consideration as such by APD and which, if entered into or completed, would result in a Third Party (either alone or together with one or more Associates) directly or indirectly:

- (a) acquiring a Relevant Interest in, or acquiring or obtaining a right to acquire a legal, beneficial, economic or voting interest in, 20% or more of all APD Securities;
- (b) obtaining a right to acquire, or otherwise obtaining an economic interest in, all or a material part of the assets or business of the APD Group (where a material part means assets representing 50% or more of the value of the APD Group's total assets or business representing 50% or more of the value of the APD Group's total business); or
- (c) acquiring Control of, or merging with, APD, whether by takeover bid, scheme of arrangement, shareholder approved acquisition or other transaction or arrangement.

Condition means each condition set out in clause 3.1 of the Scheme Implementation Deed.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act as agreed in writing between Bidder and APD.

DDF means Dexu Diversified Trust (ARSN 089 324 541).

Deed Poll means the deed poll entered into by Bidder and Dexu RE as set out in Appendix E of this Scheme Booklet.

Dexu means, as at 11 June 2021 (being the last practicable trading day prior to the date of this Scheme Booklet), the stapled group comprising DDF, Dexu Industrial Trust (ARSN 090 879 137), Dexu Office Trust (ARSN 090 768 531) and DXO (see Section 9.2 of this Scheme Booklet for further details).

Dexu RE means Dexu Funds Management Limited (ABN 24 060 920 783).

DXO means Dexu Operations Trust (ARSN 110 521 223).

Effective means:

- (a) the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the APN PG Scheme; and
- (b) the APD Trust Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.

Effective Date means the date on which the Schemes become Effective.

Employee Share Scheme Loan means a non-recourse loan made by a member of the APD Group to a participant in the APD Employee Share Schemes for the acquisition of APD Securities.

End Date means 11 November 2021 or such later date as Bidder and APD agree in writing.

Exclusivity Period means the period from 11 May 2021 (being the date of the Scheme Implementation Deed) until the earlier of:

- (a) the termination of the Scheme Implementation Deed in accordance with clause 11 of the Scheme Implementation Deed; and
- (b) the End Date.

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act directing APD to convene the APN PG Scheme Meeting is heard and to seek the First Judicial Advice (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **First Court Hearing**.

First Judicial Advice means confirmation from the Court under Order 54(2)(c) of the *Supreme Court (General Civil Procedure) Rules 2015* (Vic) that:

- (a) APN RE would be justified in convening the Trust Scheme Meeting for the purposes of considering the Trust Scheme Resolutions; and
- (b) subject to the Trust Unitholders passing the Trust Scheme Resolutions, APN RE would be justified in proceeding on the basis that amending the APD Trust Constitution as set out in the APD Trust Supplemental Deed would be within the powers of alteration conferred by the APD Trust Constitution and section 601GC of the Corporations Act.

FY19 means the financial year ended 30 June 2019.

FY20 means the financial year ended 30 June 2020.

Further Distribution means, if the Schemes have not become Effective by 30 September 2021, a further interim distribution of up to 0.9 cents per APD Security, which would be in respect of the period from 1 July 2021 to 30 September 2021.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

GST means goods and services tax, or a similar value added tax, levied or imposed in Australia under the GST Law.

GST Law has the meaning given to it in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

HY21 means the half-year ended 31 December 2020.

Implementation Date means the fifth Business Day after the Scheme Record Date or such other day as Bidder and APD agree in writing.

Independent Expert means KPMG Financial Advisory Services (Australia) Pty Ltd (ABN 43 007 363 215).

Independent Expert's Report means the report prepared by the Independent Expert, as set out in Appendix B of this Scheme Booklet, opining on whether the Schemes are fair and reasonable and in the best interests of APD Securityholders, and includes any update or supplement to that report.

ITAA 1936 means *Income Tax Assessment Act 1936* (Cth).

ITAA 1997 means *Income Tax Assessment Act 1997* (Cth).

Material Adverse Change means a matter, event or circumstance that occurs or becomes known after the date of the Scheme Implementation Deed which (either individually or when aggregated with other events, occurrences or matters of the same or substantially similar nature) has resulted in, or is reasonably likely to result in, EBITDA being reduced by at least \$2.5 million in the 12 month period from the happening of the matter, event or circumstance as compared to what the EBITDA could reasonably be expected to have been in that period but for the relevant matter, event or circumstance, provided that:

- (a) any reduction in EBITDA in the relevant period must be determined after taking into account any matters which offset the impact of the relevant matter, event or circumstance in the relevant period; and
- (b) any matter, event or circumstance shall be disregarded if:
 - a. it is required or permitted by this deed or the Schemes or transactions contemplated by either;
 - b. it is Fairly Disclosed in the Disclosure Materials or Disclosure Letter, or in any documents lodged with ASX or ASIC by or on behalf of APD in the two years before the date of the Scheme Implementation Deed;
 - c. it is within the actual knowledge of Bidder or any of its Related Bodies Corporate or Representatives as at the date of the Scheme Implementation Deed;
 - d. it is approved, consented to or requested by Bidder in writing;
 - e. it constitutes payment of Transaction costs and expenses incurred by APD including fees payable to external advisers of APD and costs of D&O insurance under clause 6.8 of the Scheme Implementation Deed, up to the aggregate amount of such costs and expenses Fairly Disclosed in the Disclosure Letter;
 - f. it results or arises from or in connection with:
 - i any actual or proposed change in any law, regulation or policy, or in any accounting principle or standard, or in the interpretation of any of the foregoing;
 - ii general economic, business or political conditions or changes in any such conditions (including disruptions to, or fluctuations in, stock markets or other financial markets, or changes in interest rates, foreign currency exchange rates or commodity prices) that impact Australian property fund management businesses and Australian real estate investment trusts generally;
 - iii any act of terrorism, war (whether or not declared) natural disaster, pandemic, epidemic or the like; and
 - g. it arises from the COVID-19 virus (or any mutation, variation or derivative), or from any law, order, rule or direction of any Government Agency in relation thereto.

In the definition of Material Adverse Change above, capitalised terms have the meaning given in Schedule 1 of the Scheme Implementation Deed.

MIT means managed investment trust.

Non-Withholding Declaration has the meaning given in Section 10.2.2.2 of this Scheme Booklet.

Notice of APN PG Scheme Meeting means the notice of meeting in respect of the APN PG Scheme as set out in Appendix A of this Scheme Booklet.

Notice of Trust Scheme Meeting means the notice of meeting in respect of the Trust Scheme as set out in Appendix A of this Scheme Booklet.

Permitted Distribution means a distribution to be paid by APD, to APD Securityholders who are securityholders as at the Permitted Distribution Record Date of 1.5 cents per APD Security, to be paid on or about 30 July 2021. The Permitted Distribution will be paid irrespective of the outcome of the Schemes.

Permitted Distribution Record Date means 30 June 2021.

Prescribed Occurrence means the occurrence of any of the matters set out in Schedule 5 of the Scheme Implementation Deed.

Principal Asset Test has the meaning given in Section 10.2.2.1 of this Scheme Booklet.

Registry means Link Market Services Limited (ACN 083 214 537).

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Requisite Majorities means:

- (a) in respect of the APN PG Scheme Resolution the following must be in favour:
 - a. a majority in number (ie more than 50%) of APD Shareholders present and voting at the APN PG Scheme Meeting (whether in person, or by proxy, attorney or corporate representative); and
 - b. at least 75% of the total number of votes cast on the APN PG Scheme Resolution;
- (b) in respect of the Trust Scheme Resolutions:
 - a. the Trust Constitution Amendment Resolution must be passed by at least 75% of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Constitution Amendment Resolution; and
 - b. the Trust Acquisition Resolution must be passed by a majority (ie more than 50%) of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Acquisition Resolution.

Resolutions means the APN PG Scheme Resolution and the Trust Scheme Resolutions.

Restricted Securities means an APD Security that is subject to an Employee Share Scheme Loan.

Reverse Break Fee means \$3,000,000.

Scheme Booklet means this scheme booklet including each Appendix.

Scheme Consideration means, in respect of each Scheme Security, 90.0 cents.

Scheme Costs has the meaning given in Section 9.4.1 of this Scheme Booklet.

Scheme Implementation Deed means the scheme implementation deed entered into by APD, Bidder and Dexus RE on 11 May 2021 as set out in Appendix C of this Scheme Booklet.

Scheme Meetings means the APN PG Scheme Meeting and the Trust Scheme Meeting.

Scheme Meetings Online Guide means the guide to the online platform which has been released to the ASX and is also available at <https://apngroup.com.au/>.

Scheme Record Date means 7:00pm on the second Business Day after the Effective Date of the Schemes, or such other time and date as Bidder and APD agree in writing.

Scheme Security means an APD Security held by a Scheme Securityholder as at the Scheme Record Date.

Scheme Securityholder means an APD Securityholder as at the Scheme Record Date.

Schemes means:

- (a) the APN PG Scheme; and
- (b) the Trust Scheme.

Second Court Date means the first day on which an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the APN PG Scheme is heard and the Second Judicial Advice is sought (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Second Judicial Advice means confirmation from the Court under Order 54(2)(c) of the *Supreme Court (General Civil Procedure) Rules 2015* (Vic) that, the Trust Unitholders having approved the Trust Scheme Resolutions by the Requisite Majorities, APN RE would be justified in implementing the Trust Scheme Resolutions, giving effect to the provisions of the APD Trust Constitution (as amended by the APD Trust Supplemental Deed) and in doing all things and taking all necessary steps to put the Trust Scheme into effect.

Security Register means the register of APD Securityholders maintained in accordance with the Corporations Act.

Superior Proposal means a bona fide Competing Proposal (which is not received by APD as a result of a material breach by APD of its obligations under clause 7 of the Scheme Implementation Deed) which the APD Board, acting in good faith and after taking advice from its legal and financial advisers, determines:

- (a) is reasonably capable of being completed substantially in accordance with its terms, taking into account all aspects of the Competing Proposal, including its conditions; and
- (b) would be more favourable to APD Securityholders than the Transaction if completed substantially in accordance with its terms, taking into account all aspects of the Competing Proposal, including the identity, reputation and financial condition of the person making such proposal and legal, regulatory and financial matters.

Takeovers Panel means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth).

Third Party means a person other than Bidder and its Associates.

Total Cash Value means, in respect of each APD Security, the sum of the Scheme Consideration and the Permitted Distribution.

Transaction means the acquisition of APD by Bidder by means of the Schemes.

Transaction Costs means costs and expenses incurred by APD in connection with the Schemes, being fees payable to external advisers of APD, the Independent Expert and costs such as share registry, printing, postage and meeting costs involved in implementing the Schemes (but excluding costs relating to a directors' and officers' run-off insurance policy as contemplated by clause 6.8 of the Scheme Implementation Deed and excluding certain payments to employees and officers of APD such as those referred to in Sections 8.16 and 8.17 of this Scheme Booklet).

Trust Acquisition Resolution means a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Trust Scheme Units by Bidder.

Trust Constitution Amendment Resolution means a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the APD Trust Constitution as set out in the APD Trust Supplemental Deed.

Trust Scheme means an arrangement, subject to the requisite approvals of the Trust Unitholders, under which Bidder acquires all of the APD Trust Units from Trust Scheme Participants facilitated by amendments to the APD Trust Constitution as set out in the APD Trust Supplemental Deed, in the form set out in Appendix E of this Scheme Booklet or such other form as agreed in writing between Bidder and APD.

Trust Scheme Meeting means the meeting of Trust Unitholders convened by APN RE to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.

Trust Scheme Participants means each person registered in the Security Register as a holder of Trust Scheme Units as at the Scheme Record Date.

Trust Scheme Resolutions means the Trust Constitution Amendment Resolution and the Trust Acquisition Resolution.

Trust Scheme Unit means APD Trust Units as at the Scheme Record Date.

Trust Unitholder means a person who is registered in the Security Register as a holder of APD Trust Units.

VWAP means volume weighted average security price.

Appendix A – Notices of Scheme Meetings

Notice of APN PG Scheme Meeting

APN Property Group Limited (ACN 109 846 068)

Notice is hereby given that, by an order of the Supreme Court of Victoria made on 15 June 2021 pursuant to section 411(1) of the Corporations Act, a meeting of the holders of fully paid ordinary shares in APN PG will be held at 10:00am (Melbourne time) on 27 July 2021.

In the interests of the health and safety of shareholders, employees and other stakeholders in the context of the coronavirus (COVID-19) pandemic, and taking into account restrictions on physical gatherings, the APN PG Scheme Meeting will be held virtually. APD Shareholders, authorised proxies, attorneys and corporate representatives may attend and participate in the APN PG Scheme Meeting online at <https://agmlive.link/APDScheme>. APD Securityholders, authorised proxies, attorneys and corporate representatives who participate in the APN PG Scheme Meeting via the online platform will be able to watch, ask questions and cast a vote online in real time.

Further details on how to participate in the APN PG Scheme Meeting via the online platform are set out in the explanatory notes that accompany and form part of this Notice of APN PG Scheme Meeting and in the Scheme Meetings Online Guide.

Business of the meeting

The purpose of the meeting is to consider and, if thought fit, agree to a scheme of arrangement proposed to be entered into between APN PG and APD Shareholders (with or without alterations or conditions as approved by the Court).

A copy of the APN PG Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the APN PG Scheme are contained in the Scheme Booklet, of which this notice forms part.

Resolution

To consider and, if thought fit, pass the following resolution:

“That, subject to and conditional on the Trust Unitholders passing the Trust Scheme Resolutions, pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed to be entered into between APN PG and the holders of its fully paid ordinary shares, as contained and more particularly described in the Scheme Booklet, of which the notice convening this meeting forms part, is approved (with or without alterations or conditions as approved by the Court).”

Chairman

The Court has directed that Christopher Aylward is to act as chairman of the meeting (and that, if Christopher Aylward is unable or unwilling to attend, Clive Appleton is to act as chairman of the APN PG Scheme Meeting) and has directed the chairman to report the result of the resolution to the Court.

By Order of the Court and the APD Board



APN Property Group Limited
16 June 2021

Notice of Trust Scheme Meeting

APN RE Limited (ACN 627 612 202) in its capacity as responsible entity of the APD Trust (ARSN 629 330 007)

Notice is hereby given by APN RE that a meeting of holders of units in APD Trust will be held at the later of (i) 10:10am (Melbourne time); and (ii) immediately following the APN PG Scheme Meeting on 27 July 2021.

In the interests of the health and safety of unitholders, employees and other stakeholders in the context of the coronavirus (COVID-19) pandemic, and taking into account restrictions on physical gatherings, the Trust Scheme Meeting will be held virtually. Trust Unitholders, authorised proxies, attorneys and corporate representatives may attend and participate in the Trust Scheme Meeting online at <https://agmlive.link/APDScheme>. Trust Unitholders, authorised proxies, attorneys and corporate representatives who participate in the Trust Scheme Meeting via the online platform will be able to watch, ask questions and cast a vote online in real time.

Further details on how to participate in the Trust Scheme Meeting via the online platform are set out in the explanatory notes that accompany and form part of this Notice of Trust Scheme Meeting and in the Scheme Meetings Online Guide.

Purpose of the Trust Scheme Meeting

The purpose of the Trust Scheme Meeting is to consider and, if thought fit, to agree to the following resolutions of Trust Unitholders to approve the amendment of the APD Trust Constitution and the proposed trust scheme under which Bidder will acquire all of the units in the APD Trust from Trust Unitholders as at the Scheme Record Date.

A copy of the APD Trust Supplemental Deed and a copy of the explanatory statement provided in respect of the Trust Scheme are contained in the Scheme Booklet, of which this notice forms part.

Resolutions

Trust Constitution Amendment Resolution

To consider and, if thought fit, pass the following resolution as a special resolution in accordance with the provisions of section 601GC(1) of the Corporations Act:

"That, subject to and conditional on:

(a) the APN PG Scheme being approved by the Court under section 411(4)(b) of the Corporations Act (with or without alterations or conditions as approved by the Court) and an office copy of the order of the Court approving the APN PG Scheme being lodged with ASIC; and

(b) the Trust Acquisition Resolution being passed,

the APD Trust Constitution be amended with effect on and from the Effective Date, as set out in the Scheme Booklet of which the notice convening this Trust Scheme Meeting forms part, for the purpose of giving effect to the Trust Scheme and that APN RE be authorised to execute and lodge with ASIC a copy of the APD Trust Supplemental Deed."

Trust Acquisition Resolution

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, subject to and conditional on:

(a) the APN PG Scheme being approved by the Court under section 411(4)(b) of the Corporations Act (with or without alterations or conditions as approved by the Court) and an office copy of the order of the Court approving the APN PG Scheme being lodged with ASIC; and

(b) the Trust Constitution Amendment Resolution being passed,

pursuant to and in accordance with the provisions of item 7 of section 611 of the Corporations Act, the Trust Scheme, as set out in the Scheme Booklet of which the notice convening this Trust Scheme Meeting forms part, be approved and, in particular, the acquisition by Bidder of all available APD Trust Units existing as at the Scheme Record Date pursuant to the Trust Scheme to be approved for all purposes."

Voting restriction

In relation to all the resolutions to be considered at the Trust Scheme Meeting, under section 253E of the Corporations Act, APN RE (the responsible entity of APD Trust) and its associates are not entitled to vote if they have an interest in the particular resolution other than as a member. Any votes cast in contravention of this restriction will be disregarded. APN RE and its associates may vote as proxies if their appointments specify the way they are to vote and they vote that way.

In relation to the Trust Acquisition Resolution, Bidder and its associates are not entitled to vote.



APN RE Limited
16 June 2021

EXPLANATORY NOTES

The Notice of APN PG Scheme Meeting and the Notice of Trust Scheme Meeting should be read in conjunction with the Scheme Booklet of which both notices form part.

Unless the context requires otherwise, terms used in the notices have the meanings given in Section 12 of the Scheme Booklet.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the APN PG Scheme Resolution must be approved by:

- (a) a majority in number (ie more than 50%) of APD Shareholders present and voting (whether in person, or by proxy, attorney or corporate representative) at the APN PG Scheme Meeting; and
- (b) at least 75% of the total number of votes cast on the APN PG Scheme Resolution.

In order for the Trust Scheme Resolutions to be approved:

- (a) the Trust Constitution Amendment Resolution must be passed by at least 75% of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Constitution Amendment Resolution; and
- (b) the Trust Acquisition Resolution must be passed by a majority (ie more than 50%) of the total number of votes cast by Trust Unitholders entitled to vote on the Trust Acquisition Resolution.

Online platform

APD Securityholders, authorised proxies, attorneys and corporate representatives can attend and participate in the Scheme Meetings via the online platform at <https://agmlive.link/APDScheme>.

The online platform may be accessed via a computer or mobile or tablet device with internet access. The online platform will allow APD Securityholders, authorised proxies, attorneys and corporate representatives to watch the Scheme Meetings, ask questions and cast an online vote in real time.

To participate and vote online, APD Securityholders, authorised proxies, attorneys and corporate representatives will need their (or their appointing APD Securityholder's) Shareholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of their holding statement or proxy form), and their postcode (or country code if outside Australia). Please note the SRN or HIN includes the 'I' or the 'X' which proceeds the number. The Registry will email proxyholders their login details 24 hours prior to the Scheme Meetings. Proxyholders will need their proxy number issued by the Registry, to register to vote at the Scheme Meetings. If you have not received confirmation of your proxy number prior to the Scheme Meetings, please call the APD Securityholder Information Line on 1300 794 935 (within Australia) and +61 1300 794 935 (outside Australia) (8:30am to 5:30pm (Melbourne time) Monday to Friday (excluding public holidays)) on the day of the Scheme Meetings to request confirmation of your proxy number.

It is recommended that APD Securityholders, authorised proxies, attorneys and corporate representatives login to the online platform at least 15 minutes prior to the scheduled start time for the Scheme Meetings. The Scheme Meetings Online Guide provides details about how to ensure your browser is compatible with the online platform as well as a step-by-step guide to successfully log in and navigate the site. The Scheme Meetings Online Guide has been released to the ASX and will be available at <https://apngroup.com.au/>.

Please monitor APD's website and ASX announcements where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meetings.

Entitlement to vote

The Court has ordered that, for the purposes of the Scheme Meetings, the time for determining eligibility to vote at the Scheme Meetings is 10:10am (Melbourne time) on 25 July 2021. Only those APD Securityholders entered on the Security Register at that time will be entitled to attend and vote at the Scheme Meetings.

How to vote

If you are eligible to vote at the Scheme Meetings, you may:

- (a) vote in person at the Scheme Meetings by attending the Scheme Meetings online and voting via the online platform at <https://agmlive.link/APDScheme>;
- (b) appoint one or two proxies to attend and vote at the Scheme Meetings on your behalf;
- (c) appoint an attorney to attend and vote at the Scheme Meetings on your behalf; or
- (d) if you are a body corporate, appoint a corporate representative to attend and vote at the Scheme Meetings on your behalf.

If you hold APD Securities jointly with one or more other persons, only one of you may vote. If more than one APD Securityholder votes in respect of jointly held APD Securities, only the vote of the APD Securityholder whose name appears first in the Security Register will be counted.

Voting will be conducted by poll.

Voting in person – using the online platform

To vote in person, you must attend the Scheme Meetings virtually via the online platform at <https://agmlive.link/APDScheme> on the date and time set out in the Notice of APN PG Scheme Meeting and the Notice of Trust Scheme Meeting.

Online voting will be open between the start of the Scheme Meetings and the closing of voting as announced by the Chairman during the Scheme Meetings.

Voting by proxy

You may appoint one or two proxies to attend and vote at the Scheme Meetings on your behalf by completing the proxy form in accordance with its instructions. A proxy does not need to hold APD Securities. If you do not instruct your proxy how to vote, your proxy may vote as he or she sees fit at the Scheme Meetings.

If you appoint two proxies, each proxy may be appointed to represent a specified number or proportion of your votes. If you wish to appoint two proxies, you must complete and sign a physical proxy form. If no such number or proportion is specified, each proxy may exercise half your votes. Please refer to the proxy form for instructions on completion and lodgement.

Proxy forms must be received by the Registry by no later than 10:10am (Melbourne time) on 25 July 2021 (or, if the Scheme Meetings are adjourned or postponed, no later than 48 hours before the resumption of the meetings in relation to the resumed part of the meetings).

You must deliver the signed and completed proxy form in one of the following ways:

- (a) online at www.linkmarketservices.com.au;
- (b) by mobile device (refer to instructions on proxy form);
- (c) by post in the pre-addressed envelope provided to APN Property Group, C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;
- (d) by fax to the Registry on 02 9287 0309 (within Australia) or +61 2 9287 0309 (outside Australia); or
- (e) by hand delivery during business hours (Monday to Friday (excluding public holidays), 8:30am to 5:30pm (Melbourne time)) to the Registry at 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

If a proxy form is completed under power of attorney or other authority, the original or a certified copy of the power of attorney or other authority must accompany the completed proxy form unless the power of attorney or other authority has previously been given to the Registry.

If you return your proxy form:

- (a) without identifying a proxy on it, you will be taken to have appointed the chairman of the Scheme Meetings as your proxy to vote on your behalf; or
- (b) with a proxy identified on it but your proxy does not attend the Scheme Meetings, the chairman of the Scheme Meetings will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The chairman of the Scheme Meetings intends to vote all valid undirected proxies which appoint (or are taken to appoint) the chairman in favour of the Resolutions.

The appointment of a proxy does not preclude you from attending the Scheme Meetings in person, revoking the proxy and voting at the meeting. However, if you view a live webcast of the Scheme Meetings as a 'visitor', you will not revoke your proxy appointment.

Voting by power of attorney

You may appoint an attorney to attend and vote at the Scheme Meetings on your behalf.

The power of attorney appointing your attorney to attend and vote at the Scheme Meetings must be duly executed by you and specify your name, the company (i.e. APN Property Group), and the attorney, and also specify the meeting(s) at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, must be received by the Registry by no later than 10:10am (Melbourne time) on 25 July 2021 (or, if the Scheme Meetings are adjourned or postponed, no later than 48 hours before the resumption of the meetings in relation to the resumed part of the meetings) in any of the ways specified for proxy forms except that the power of attorney or a certified copy of the power of attorney cannot be lodged online or by mobile device.

The appointment of an attorney does not preclude you from attending the Scheme Meetings in person and voting at the meeting. However, if you view a live webcast of the Scheme Meetings as a 'visitor', you will not revoke your attorney appointment.

Voting by corporate representative (in the case of a body corporate)

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must be in accordance with section 250D of the Corporations Act. A corporate representative does not need to hold APD Securities. A form of certificate of appointment may be downloaded via www.linkmarketservices.com.au or obtained from the Registry by calling 1300 794 935 (within Australia) or +61 1300 794 935 (outside Australia) 8:30am to 5:30pm (Melbourne time) Monday to Friday (excluding public holidays). The certificate of appointment may set out restrictions on the representative's powers.

The certificate must be received by the Registry no later than 10:10am (Melbourne time) on 25 July 2021 (or, if the Scheme Meetings are adjourned or postponed, no later than 48 hours before the resumption of the meetings in relation to the resumed part of the meetings). APD Securityholders may submit the certificate:

- via email, by sending it to vote@linkmarketservices.com.au; or
- in any of the ways specified for proxy forms, except that a certificate of appointment of corporate representative cannot be lodged online or by mobile device.

If a certificate is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Registry.

Court approval

If the Resolutions are approved at the Scheme Meeting by the Requisite Majorities and the other Conditions are satisfied or waived in accordance with the Scheme Implementation Deed, APD intends to apply to the Court on 4 August 2021 for approval of the Schemes and the Second Judicial Advice.

Questions

APD Securityholders, authorised proxies, attorneys and corporate representatives will have a reasonable opportunity to ask questions during the Scheme Meetings via the online platform.

You may submit questions to be addressed at the Scheme Meetings up to a week prior to the Scheme Meetings by sending them to csecretary@apngroup.com.au.

The chairman of the Scheme Meetings will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the Scheme Meetings. However, there may not be sufficient time available during the Scheme Meetings to address all of the questions raised. Please note that individual responses will not be sent to APD Securityholders.

Technical difficulties

Technical difficulties may arise during the course of the Scheme Meetings. The chairman has discretion as to whether and how the Scheme Meetings should proceed in the event that a technical difficulty arises. In exercising this discretion, the chairman will have regard to the number of APD Securityholders impacted and the extent to which participation in the business of the meetings is affected. In these circumstances, where the chairman considers it appropriate, the chairman may continue to hold the Scheme Meetings and transact business, including conducting a poll and voting in accordance with valid proxy instructions.

For this reason, APD Securityholders are encouraged to lodge a proxy form by no later than 10:10am (Melbourne time) on 25 July 2021, even if they plan to attend the Scheme Meetings.

Appendix B – Independent Expert's Report



KPMG Corporate Finance
A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
Tower Two, Collins Square
727 Collins Street
Melbourne VIC 3008

GPO Box 2291U
Melbourne Vic 3001
Australia

ABN: 43 007 363 215
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

The Directors
APN Property Group Limited
Level 30, 101 Collins Street
Melbourne VIC 3000

APN RE Limited (as responsible
entity for the APD Trust)
Level 30, 101 Collins Street
Melbourne VIC 3000

16 June 2021

Dear Directors

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

On 11 May 2021 APN Property Group, a stapled group listed on the Australian Securities Exchange (ASX) comprising of APN Property Group Limited (APN) and APD Trust (APDT) (the responsible entity of which is APN RE Limited) (collectively, APD), announced it had entered into a scheme implementation deed (SID) with Dexus Nominee Pty Limited, a member of the Dexus group (Bidder or Dexus) under which it is proposed that the Bidder will acquire all of the stapled securities of APD (APD Securities¹) (The Transaction). The Transaction will be implemented by way of a trust scheme of arrangement (Trust Scheme) and a company scheme of arrangement (APN PG Scheme) (together, the Schemes).

Under the SID, the Bidder agrees to pay \$0.915 per APD Security, to be reduced by the cash amount of any distribution declared by APD prior to 30 September 2021 (up to 1.5 cents per APD Security). On 11 June 2021, APD announced an interim distribution of 1.5 cents per APD Security (Permitted Distribution). Accordingly, the Scheme Consideration payable under the Schemes is \$0.90 per APD Security. The Permitted Distribution is not conditional on the Schemes and will be paid irrespective of whether the Schemes proceed.

¹ A fully paid ordinary share in APN stapled to a fully paid unit in APDT.



Accordingly, if the Schemes proceed, APD Securityholders on the Security Register at the Permitted Distribution Record Date² and the Scheme Record Date³ will receive a total of \$0.915 per APD Security, comprising both the Permitted Distribution and the Scheme Consideration (Total Cash Value).

APD is a Melbourne based specialist Australian real estate investment manager. APD has established and actively manages 11 real estate funds, to provide regular income streams and wealth creation opportunities for retail and institutional investors. APD also co-invests alongside the investors in some of the funds it manages. At 30 April 2021, APD had \$146 million of co-investments in funds it manages.

APD had a market capitalisation of \$201⁴ million at 10 May 2021, the last trading day before the announcement of the Transaction. At 30 April 2021, APD had \$3.2⁵ billion of funds under management (FUM).

The Directors of APN and APN RE Limited (APD Directors) have stated that they unanimously recommend that APD Securityholders vote in favour of the Schemes, in the absence of a superior proposal and subject to an independent expert concluding that the Schemes are in the best interests of APD Securityholders.

The Schemes are described more fully in Section 4 of this report and Section 7 of the Scheme Booklet.

We understand that there is no technical requirement for an independent expert's report (IER) to be prepared in respect of the Schemes, however, it is a condition precedent to the Schemes, as set out in the SID. Therefore, the APD Directors have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to prepare an IER setting out whether the Schemes are fair and reasonable and in the best interests of APD Securityholders (other than Dexus and its associates).

This IER sets out KPMG Corporate Finance's opinion as to the merits or otherwise of the Schemes and should be considered with and not independently of the information set out in the Scheme Booklet.

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

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

2 Scope of report

The Transaction is to be implemented by way of a scheme of arrangement, under Section 411 of the Corporations Act (Cth) (Corporations Act) in respect of the APN PG Scheme and by way of a Trust Scheme under Section 601GC(1) and Section 611 of the Corporations Act. Although there is no technical requirement for an IER to be prepared in relation to the Schemes, it is a condition precedent to the Schemes as set out in Section 3 of the SID.

In undertaking our work we have had regard to the guidance provided by Australian Securities and Investments Commission (ASIC) in its Regulatory Guides and in particular Regulatory Guide 111 'Content of expert reports' (RG 111), which outlines the principles and matters which it expects a person preparing an independent expert report to consider when providing an opinion.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 5.2 of this report.

² Means 30 June 2021.

³ Means 7:00pm on the second Business Day after the Effective Date of the Schemes, or such other time and date as Bidder and APD agree in writing.

⁴ Calculated as the closing price on 10 May 2021 of \$0.61 multiplied by 329.5 million APD Securities on issue.

⁵ Pro-forma FUM as at 30 April 2021, incorporating AQR acquisitions announced on 11 May 2021 and on 21 May 2021.

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3 Summary of opinion

In our opinion, **the Schemes are in the best interests of APD Securityholders** in the absence of a superior proposal.

In arriving at this opinion, we have assessed whether the Schemes are:

- **fair**, by comparing the Total Cash Value to our assessed value of an APD Security on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111, and
- **reasonable**, by assessing the implications of the Schemes for APD Securityholders, the alternatives to the Schemes which are available to APD Securityholders and the consequences of not approving the Schemes.

Our assessment has concluded that **the Schemes are fair and reasonable to APD Securityholders**. As such, in accordance with RG 111, we have concluded that **the Schemes are in the best interests of APD Securityholders**.

The principal matters we have taken into consideration in forming our opinion are summarised below.

Company and transaction background

APD was established in 1996 and listed on the ASX in 2005. Since listing APD has grown funds under management from \$1.7 billion to \$3.2 billion. Over this period, APD has launched several property focused investment funds, some of which it has subsequently exited and others which it continues to manage. Core to APD's strategy has been increasing scale via FUM growth, investing in larger more profitable funds and leveraging operating efficiencies. This strategy has driven the creation of a number of funds, notably the listed APN AREIT Strategy fund in 2009, ADI in 2013, AQR in 2017 and the launch of APN Global REIT in 2020. APD continues to identify growth opportunities and has announced that it is evaluating opportunities to establish new investment funds in the childcare and real estate debt sectors.

Since 2016⁶, APD's total FUM has grown at an annualised rate of 8.3% from \$2.2 billion to \$3.2 billion. During this period, strong growth in APN Industria REIT (ADI) and APN Convenience Retail REIT (AQR) has more than offset a decline in the listed property and securities funds (RES Funds):

- ADI and AQR FUM, have grown at an annualised rate of 15.6% and 12.9%, respectively since listing, mainly driven by the completion of incremental acquisitions
- RES FUM decreased at an annualised rate of 6.9% over this period, mainly as a result of COVID-19, which impacted real estate investment trusts (REITs) globally, with FUM declining from \$1.7 billion in FY19 to \$1.3 billion in HY21. RES FUM has remained relatively consistent between 31 December 2020 (\$1,292 million) and 30 April 2021 (\$1,290 million).

APD generates revenue predominantly from co-investment income and management fees. The co-investment income is derived from rental receipts from properties owned by the underlying funds. The ADI and AQR portfolios exhibited strong income security and a high occupancy level during the pandemic. Management fees from the listed and unlisted funds are predominantly driven by prices of underlying equity investments in listed REITs which are inherently more volatile and hence were more impacted by uncertainty arising from the COVID-19 pandemic.

The early stages of the COVID-19 pandemic significantly impacted REITs globally with the Australian REIT market more severely affected due to its higher exposure to retail assets.

⁶ As at 30 June 2016.

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APD's security price fell from a pre-COVID high of \$0.735 in February 2020 to \$0.38 in March 2020. It was less severely impacted than the overall A-REIT sector, reflecting the underlying exposure of ADI and AQR to industrial and convenience retail assets, rather than office and retail assets.

Since March 2020 the security price has gradually recovered, and on 10 May 2021 (one day prior to the announcement of the Transaction), APD was trading at \$0.61, reflecting a 17% discount to its pre-COVID-19 high.

Australia's strong economic response and recovery along with its successful management of COVID-19 has supported landlord income and resulted in distributions being reinstated, albeit some at reduced levels. However, some uncertainty remains due to the roll-out timeline and efficacy of the COVID-19 vaccines, potential for resurgent infection rates around the world and potential domestic outbreaks.

The Schemes provide APD Securityholders the opportunity to exit their investment at a premium of 50% to the closing price of APD Securities prior to the announcement of the Transaction.

It is in this context that KPMG Corporate Finance has assessed the Schemes as discussed below.

3.1 The Schemes are fair

We have assessed the value of an APD Security to be in the range of \$0.82 to \$0.93 (inclusive of a control premium). Our valuation is set out in Section 8 of this report and is summarised below.

Table 1: APD valuation summary

\$ million unless otherwise stated	Section reference	Value range	
		Low	High
Funds management business	8.3	122.2	151.2
Co-investments			
ADI	8.4	93.8	99.8
AQR	8.5	43.4	45.9
APN Global	8.6	5.0	5.4
APN Asia	8.7	1.3	1.4
APN Regional Property	8.8	1.6	1.6
APN Development Fund No.2	8.8	1.2	1.2
Value of business assets		268.5	306.6
Other assets/(liabilities)	8.9	19.7	19.7
Net debt ¹	8.10	(2.6)	(2.6)
Value of 100% equity of APD		285.7	323.7
Fully diluted number of APD securities on issue (million) ²		349.6	349.6
Value per APD Security		\$0.82	\$0.93
Value per APD Security (mid-point)		\$0.87	

Source: KPMG Corporate Finance Analysis

Note 1: Net debt at 30 June 2021 (estimate) excludes cash held in trust for underlying funds managed of \$0.2 million and \$5.8 million for AFS Licenses.

Note 2: Includes 20.1 million of securities issued to senior management under incentive plans which will vest as a result of the Transaction.

Note: Rounding differences may exist.

Our valuation reflects 100% of APD and therefore, incorporates a control premium. As a result, we would expect the value to be in excess of the price at which APD Securities trade on the ASX in the absence of a takeover offer. In assessing an appropriate premium for control in accordance with RG 111, we have considered synergies that may be available to a pool of potential purchasers of APD. In this case, direct synergies available to a number of strategic buyers of APD would likely include all (or most) public company costs, corporate overheads and an ability to leverage APD's existing investment platform. Therefore, we have reflected the risk adjusted potential future benefit of these cost savings and synergies available to a pool of acquirers within the valuation.

Our valuation of APD is based on a sum-of-the-parts approach, where the value of an APD Security comprises the aggregate of the value of:

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- the funds management business, which has been valued based on a capitalised earnings approach (i.e. EBIT multiples), with a cross-check to EV/FUM multiples
- APD's co-investments in listed A-REITs (ADI and AQR), which have been valued with reference to the listed market prices, with cross-checks of premium / discount to NTA and distribution yields relative to A-REIT peers
- APD's co-investments in unlisted funds that invest in listed REITs (APN Global and APN Asia), which have been valued with reference to published unit prices
- APD's co-investments in unlisted funds that invest in direct property funds (APN Regional Property and APN Development Fund No.2), which have been valued based on a net asset approach
- other components of value (i.e. other assets / liabilities and net debt) are discussed in Section 8.

Details of our valuation are outlined in Section 8. The key factors considered in our assessment of the value of APD are as discussed below.

Funds management business

The value of the funds management business represents approximately 43% to 47% of our total equity value range. Our valuation mainly reflects:

- the level of earnings that the existing operations could reasonably be expected to generate (i.e. maintainable EBIT) based on the normalised historical performance of the business
- the cost savings that could be realised by a number of market participants. An acquirer with its own existing funds management platform in Australia would likely save substantial costs. There are a number of potential acquirers of APD that have existing property funds management platforms in Australia (e.g. Dexus, Centuria Capital Group, Charter Hall Group) which could leverage APD's investment management platform and realise cost savings by combining platforms. When determining cost savings, we have considered the risks associated with fully realising synergistic benefits, the timing thereof and implementation costs
- the level of earnings that APD could reasonably be expected to generate from its growth opportunities. Valuation of growth opportunities is not straightforward. However, for funds management platforms, it is not unusual to attribute value to the pipeline of growth opportunities given the scalable nature of these businesses and hence to assume that FUM from conversion of these opportunities will generate sustainable earnings. APD is significantly smaller than many of the real estate focused funds managers in Australia and has built a team and a platform with a strategy to grow FUM and benefit from scale. Therefore, we consider it appropriate to assign a probability to these growth opportunities based on judgement of the quantum, timing and likelihood of the expected earnings.

We consider the conversion of this growth pipeline of opportunities and cost savings, to be a relatively judgemental assumption when determining the value of APD. As such, we have considered a range of scenarios by adjusting the assumed earnings attributable to the funds management growth opportunities and cost savings in order to illustrate the impact on the value of an APD Security.

Our scenario analysis, as detailed in Section 8.11 indicates that the value of APD is sensitive to changes in the level of earnings attributed to cost savings and the funds management pipeline of opportunities and that there is greater potential for upside, which is reasonable given the nature of the business.

Given the high number of participants in the industry, it is reasonable to expect that APD's funds management platform would attract a takeover premium, likely reflecting:

- the size of APD's funds management platform, which has not yet reached its optimal size, can achieve significant cost savings through scale

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- APD's current pipeline of growth opportunities
- the nature of APD's portfolio, providing diversification into APD's listed REITs, real estate securities and direct property funds
- APD's distribution channels and key relationships, including retail and high net worth capital investors
- the nature of APD's funds management income, which generates a higher level of recurring income (approximately 98% of total net income) compared to its property funds manager peers and hence presents lower revenue risks
- APD's higher degree of contractual "entrenchment" given its equity interest in the ADI and AQR funds.

Co-investments in listed A-REITs

APD's co-investments in ADI and AQR represent approximately 45% to 48% of our assessed total equity value range. APD does not hold controlling interests in these investments and hence the values are on a minority basis. As such, we would not attribute any premium to the co-investments (although they result in "entrenched earnings"). Our valuation of ADI and AQR mainly reflects the security prices at which ADI and AQR have traded over the last 3 months. Given the significant decrease in both security prices and the difficult market conditions faced by all REITs as a result of COVID-19, we have had greater regard to security prices and volume weighted average prices (VWAPs) over the last 3 months.

Co-investments in unlisted funds

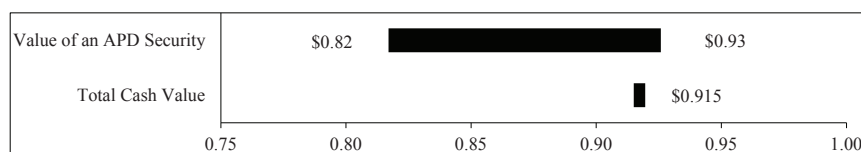
APD's other co-investments represent approximately 3.0% of our total equity value range. Our valuation of these co-investments mainly reflects:

- the recent unit prices of the APN Global and APN Asia funds. These funds invest in listed REITs and hence the underlying investments held by the funds are relatively liquid
- the net asset value of the APN Regional Property and APN Development Fund No.2 funds, which is based on the underlying value of the properties held by the funds.

Assessment of fairness

A comparison of our assessed value per APD Security on a control basis to the Total Cash Value is illustrated in the following figure.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance Analysis.

According to RG 111, the Schemes should be considered fair if the Total Cash Value offered to APD Securityholders is equal to or higher than our assessed value of an APD Security. As the Total Cash Value of \$0.915 per APD Security falls within our assessed range for an APD Security, we consider the Schemes to be fair.



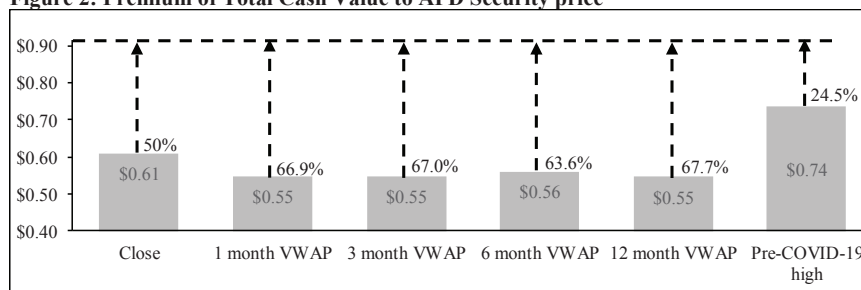
3.2 The Schemes are reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Schemes to be fair, this means the Schemes are reasonable. However, irrespective of the statutory obligation to conclude that the Schemes are reasonable, we have considered a range of factors that APD Securityholders may also wish to take into account in considering whether to vote in favour of the Schemes as summarised below.

The Total Cash Value represents a premium to the trading price prior to the announcement of the Transaction

The implied premium of the Total Cash Value relative to the APD Security price is illustrated in the following figure.

Figure 2: Premium of Total Cash Value to APD Security price



Source: IRESS, Capital IQ, KPMG Corporate Finance analysis.

Note: The premiums illustrated above have been calculated based on the VWAP of APD Securities up to and including 10 May 2021, the last trading day prior to the announcement of the Transaction.

With regard to our assessment of the implied premiums of the Total Cash Value to trading prices, we note:

- it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a security to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration
- the Total Cash Value of \$0.915 per APD Security represents a premium to the recent trading price of APD Securities prior to the announcement of the Transaction in the range of 50% to 68%. These premiums fall above premiums observed in completed control transactions which generally range from 25% to 40%⁷.
- the Total Cash Value represents a 24.5% premium to the pre-COVID-19 high of \$0.735 in February 2020. The APD Security price subsequently fell due to macro economic uncertainty triggered by COVID-19, before recovering over the course of 2020. The APD Security price still traded at a discount to pre-COVID levels prior to the announcement of the Transaction.

The Total Cash Value provides certainty of value

The cash nature of the Transaction provides APD Securityholders an opportunity to exit their investment in APD at a price that is certain and which incorporates a control premium. In the absence of the Transaction or a similar transaction, APD Securityholders could only realise their investment by selling their APD Securities on market at a price that would not include a control premium and could incur transaction costs (e.g. brokerage).

⁷ KPMG Corporate Finance Analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

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There is no certainty as to the price at which APD Securityholders would be able to realise their investment in the future and they would continue to be exposed to the risks relating to holding a minority interest in APD, in particular:

- *the risks associated with the funds management business.* APD manages 11 funds and receives revenue related to funds management, performance, transaction and other fees. A key driver of revenues relates to the growth in FUM as a result of market performance, net fund inflows and fund asset acquisitions. The growth of revenues is inherently uncertain and dependent on market factors. There are risks associated with APD's ability to execute and timing of its strategy to grow FUM and benefit from economies of scale
- *the risk related to holding co-investments.* APD currently owns direct equity interests in two ASX listed REITs, ADI and AQR (combined value of \$137 million⁸) and four unlisted funds⁹ (combined value of \$10 million⁸). Any material adverse movements in the value of these co-investments, particularly ADI or AQR, is likely to also adversely impact the price of APD Securities. APD is inherently exposed to the Australian real estate sector. A downturn in the market could result in a reduction of asset values and revenue
- *access to funding.* APD and the funds rely on access to debt and equity to establish new funds and execute the strategy. An inability to obtain debt and/or attract equity investors on acceptable terms could limit APD's ability to launch new funds, grow FUM and adversely impact APD's business.

If the Schemes are approved, APD Securityholders will not participate in the potential longer-term benefits from any future growth of the business

Whilst APD's strategy to further grow FUM is not without risk, APD is well-positioned to capitalise on its scalable funds management platform, broad distribution channels and key relationships and a pipeline of growth opportunities. Part of this potential value has been captured within our valuation of the funds management business through the inclusion of a level of earnings expected to be generated from growth opportunities (see Section 8). However, by exiting an investment in APD, APD Securityholders will not participate in the potential longer-term benefits from future growth (nor be exposed to any of the risks).

No alternative proposal to acquire APD Securities has been received

At the date of this report, the Schemes represent the only proposal for APD Securityholders to monetise their investment at a premium to the trading price before the announcement of the Transaction.

Under the SID, APD is restricted from either soliciting or entering into discussions with third parties in relation to alternative proposals. APD is also required to notify Dexu should it become aware of any possible alternative proposal and Dexu has matching rights. In addition, the SID contains a break fee of \$3.0 million to be paid by either APD or Dexu in certain circumstances.

Further, under a call option deed between related entities of APD's Chairman, Chris Aylward and Dexu, Dexu has the option to acquire up to 19.9% of APD Securities where a competing proposal emerges.

Although the likelihood of a superior alternative proposal is impacted by these terms, it does not preclude an alternative proposal from being made.

⁸ As at 30 April 2021

⁹ The four funds are APN Asian REIT Fund, APN Global REIT Income Fund, APN Reginal Property Fund and APN Development Fund No. 2.

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3.3 Other considerations

In forming our opinion, we have also considered a number of other factors, as detailed below. While these factors do not impact on our opinion, we consider it appropriate for APD Securityholders to consider these factors in assessing the Schemes.

Transaction costs associated with the Schemes

APD management has estimated that in the event the Schemes are not completed, APD will have incurred or committed costs of approximately \$1.6 million (plus GST, excluding any break fee). One-off transaction costs associated with the Schemes primarily relate to financial advisers, legal, accounting and expert fees and other costs associated with the Transaction.

Taxation implications for APD Securityholders

APD has provided information on the Australian income tax and Goods and Services Tax (GST) consequences relating to the Schemes. This information is provided in Section 10 of the Scheme Booklet. The key considerations are as follows:

- *Capital Gains Tax (CGT) consequences for Australian resident APD Securityholders.* Each APD Security consists of one share in APN PG and one unit in APD Trust. Notwithstanding the fact that these assets cannot be traded separately, they are treated as separate assets for CGT purposes. The disposal of APD Securities pursuant to the Transaction will have CGT consequences for APD Securityholders. Each APD Securityholder will be treated as making two separate disposals for CGT purposes and two separate CGT calculations will be required. In undertaking these calculations, APD Securityholders will be required to calculate the cost base (or reduced cost base) and capital proceeds attributable to their share in APN PG and unit in APD Trust
- *Permitted Distribution to be paid by APD of \$0.015 per APD Security.* The Permitted Distribution should not constitute capital proceeds from the disposal of APD Securities as the payment is not conditional on the Schemes and will be paid irrespective of whether the Schemes proceed. APD Securityholders will be required to treat the tax components of the Permitted Distribution in the same manner that the tax components of APD's regular six monthly income distributions are treated
- *CGT consequences for non-resident APD Securityholders.* The taxation consequences discussed in the bullet point above will generally apply to APD Securityholders that are non-residents, if either the APN PG shares or the APD Trust units are "indirect Australian real property"
- *Managed Investment Trust (MIT) status.* If the Schemes proceed, APD Trust may cease to satisfy the requirements to be an MIT in respect of the income tax year ending 30 June 2021 and future years. Consequently, distributions made by APD Trust in relation to the year ending 30 June 2021 may be subject to non-resident withholding tax which may be higher than the MIT withholding tax rate. This may have an adverse effect on the tax treatment of APD Trust.

We advise that APD Securityholders should consider their individual circumstances, review Section 10 of the Scheme Booklet for further information as it applies to their circumstances and seek the advice of their own professional advisor.

APD Directors have indicated that they will vote in favour of the Schemes

Each of the APD Directors intends to vote in favour of the Schemes in the absence of a superior proposal. They intend to vote all APD Securities in which they have a Relevant Interest in favour of the Resolutions at the Scheme Meetings.

3.4 Consequences if the Schemes do not proceed

In the event that the Schemes are not approved or any conditions precedent prevent the Schemes from being implemented, APD will continue to operate in its current form and remain listed on the ASX.



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As a consequence:

- APD will continue to operate as a stand-alone entity on the ASX
- APD will continue to execute its current business strategy
- APD Securityholders will not receive the Scheme Consideration and the implications of the Schemes, as summarised above, will not occur. APD will be required to pay one-off transaction costs incurred, or committed to, prior to the Scheme Meetings and any break fee that may be payable to the Bidder
- APD Securityholders will continue to be exposed to the benefits and risks associated with an investment in APD, and
- APD's Security price will likely fall in the short to medium term. The current security price of APD reflects the terms of the Schemes and therefore includes a control premium. As such, in the absence of the Schemes, an alternative proposal or speculation concerning an alternative proposal, the APD Security price is likely to fall to levels consistent with trading prices prior to the announcement of the Schemes.

3.5 Other matters

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

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

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to the financial year to 30 June have been abbreviated to FY.

Neither the whole nor any part of this IER or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Booklet to be sent to APD Securityholders in relation to the Schemes, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this IER in the form and context in which it appears in the Scheme Booklet.



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

Yours faithfully

Adele Thomas
Authorised Representative

Sean Collins
Authorised Representative

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4 The Transaction

4.1 Background and terms of the Schemes

On 11 May 2021, APD announced that it had entered into a SID with the Bidder, for the Bidder to acquire 100% of APD Securities by way of the Schemes.

Under the SID, the Bidder agrees to pay \$0.915 per APD Security, to be reduced by the cash amount of any distribution declared by APD prior to 30 September 2021 (up to 1.5 cents per APD Security). On 11 June 2021, APD announced an interim distribution of 1.5 cents per APD Security. Accordingly, the Scheme Consideration payable under the Schemes is \$0.90 per APD Security. The Permitted Distribution will be paid on 31 July 2021 to the APD Securityholders on the Security Register at 30 June 2021 (Permitted Distribution Record Date). The Permitted Distribution is not conditional on the Schemes and will be paid irrespective of whether the Schemes proceed.

Accordingly, if the Schemes proceed, APD Securityholders on the Security Register at the Permitted Distribution Record Date and the Scheme Record Date will receive Total Cash Value of \$0.915 per APD Security, comprising both the Permitted Distribution and the Scheme Consideration. Any APD Securityholder that acquires APD Securities after the Permitted Distribution Record Date but before the Scheme Record Date will receive \$0.90 per APD Security if the Schemes proceed.

4.2 Conditions of the Schemes

Completion of the Schemes are subject to a number of conditions precedent as set out in the SID, including:

- ASIC provides the necessary approvals and relief required
- an independent expert concludes that the Schemes are in the best interests of APD Securityholders
- the Schemes are approved by the required majorities of the APD Securityholders
- other customary conditions, including 'no material adverse change', 'no prescribed occurrence', 'no restraints'.

Further details on the conditions precedent are contained in Section 3 of the SID.

The SID also contains certain exclusivity provisions that apply during the Exclusivity Period¹⁰ including 'no due diligence', 'no current discussions', 'no shop' and 'no talk' restrictions, a notification obligation and a matching right.

5 Scope of the report

5.1 Purpose

This report is to be included in the Scheme Booklet to be sent to the APD Securityholders and has been prepared for the purpose of assisting APD Securityholders in their consideration of the Schemes. Although there is no technical requirement for an IER to be prepared in relation to the Schemes, it is a condition precedent to the Schemes as set out in Section 3 of the SID.

In relation to a Trust Scheme there is no specific statutory framework for a scheme of arrangement between trusts and their members. As such, the Takeovers Panel has issued Guidance Note 15 outlining the

¹⁰ The period from and including the date of the SID (11 May 2021) to the earlier of: (i) the termination of the SID and (ii) the end date (date that is six months from the date of the SID or such other date agreed in writing between Dexu and APD before the date).

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recommended procedures for a trust scheme. This Guidance Note suggests that the notice of meeting and explanatory memorandum for a trust scheme should contain a report by an independent expert that states whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable and therefore, consistent with determining whether it is in the best interests of the members. Although the Transaction involves a company scheme and trust scheme, a single opinion is provided.

5.2 Basis of assessment

RG 111 distinguishes between the analysis required for control transactions and other transactions. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid even though the wording of the opinion will also be whether the proposed scheme is 'in the best interests of the members of the company'. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value.

In particular:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison
- an offer is 'reasonable' if it is 'fair'.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of the members of the company.

In the circumstance of a 'not fair but reasonable' outcome, RG 111.21 states that the expert can also conclude that the scheme is 'in the best interests' on the basis that it clearly states that the consideration is less than the value of the securities subject to the scheme but that there are sufficient reasons for members to vote in favour of the scheme in the absence of a higher offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis).

In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer. Accordingly, when assessing the full underlying value of APD we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of APD. As such, we have not included the value of special benefits that may be unique to the bidder. Accordingly, our valuation of APD has been determined without regard to the specific bidder, and any special benefits have been considered separately.



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Reasonableness involves an analysis of other factors that securityholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target's securities
- tax losses, cash flow or other benefits through achieving 100% ownership of the target
- any special value of the target to the bidder
- the likely market price of the target's securities in the absence of the offer and any other consequences of not accepting the offer
- the likelihood of an alternative offer being made, and
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of APD Securityholders as a whole. As an individual APD Securityholder's decision to vote for or against the resolutions may be influenced by their individual circumstances, we recommend they each consult their own financial advisor.

5.3 Limitations and reliance on information

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

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

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

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

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of APD. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, APD remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of

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such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

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

5.4 Disclosure of information

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

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6 Profile of APD

6.1 Overview

APD is an ASX listed Australian real estate funds manager with approximately \$3.2 billion of FUM and holds a portfolio of co-investment stakes totalling \$146 million. APD was established in 1996 and listed on the ASX in 2005, with the ticker APD. On 10 May 2021, one day prior to the announcement of the Transaction, APD had a market capitalisation of approximately \$201 million.

APD actively manages 11 real estate funds and 129 properties, providing regular income streams and wealth creation opportunities for retail and institutional investors. APD also invests alongside its investors via co-investment stakes in the funds it manages, providing alignment of interests, and the ability to share in the risks and returns offered by the funds. APD's co-investments consist of direct equity interests in two ASX listed REITs, ADI and AQR (combined value of \$137.0 million) and four unlisted funds (combined value of \$10 million).

APD has two main parts to its business:

- **funds management:** provides management services for APD's managed assets outlined below:
 - real estate securities (RES) funds: funds that invest in a mix of Australian and international listed REITs
 - APN Industria REIT (ADI): listed industrial REIT
 - APN Convenience Retail REIT (AQR): listed convenience retail REIT
 - direct property funds: unlisted direct property syndicates
- **co-investments:** co-invests in property funds across each of its divisions; RES funds, listed REITs (ADI and AQR) and direct property funds. APD provides management services for all co-investment funds.

APD's operations are illustrated in the figure below.

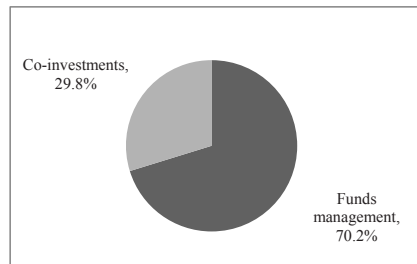
Figure 3: APD overview at 31 December 2020



Source: HY21 financial report and results presentation.

The relative revenue contributions of the two parts of the business are illustrated below.

Figure 4: APD's funds management and co-investment HY21 revenue



Source: HY21 financial report and results presentation.

Note 1: Revenue includes HY funds management income of \$9.3 million and co-investment income of \$4.0 million.

As highlighted in the chart above, the majority of APD's revenue is generated from funds management operations.

6.2 Strategy and business model

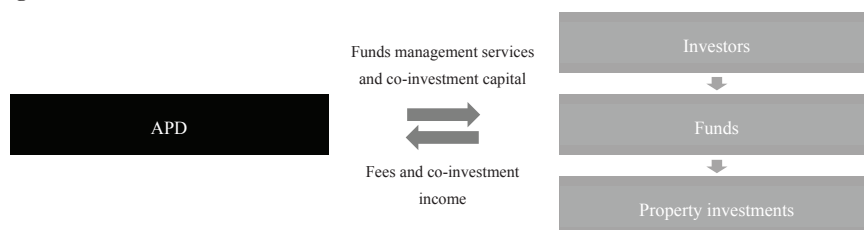
APD seeks to establish and actively manage a suite of real estate funds, consistent with its 'property for income' philosophy, to provide regular income streams and wealth creation opportunities for investors. Investors include retail, high net worth and institutional investors which invest in APD directly or via a range of channels including, but not limited to, asset consultants, family offices, accountants and financial advisors. Integral to its strategy, APD also invests alongside investors via strategic co-investment stakes in the funds that it manages.

APD's strategy is focused on:

- increasing scale via FUM growth, investing in larger and more profitable funds and leveraging efficiencies
- managing costs through measured investment in growth and disciplined overheads.

APD's business model is illustrated in the figure below.

Figure 5: Business model overview



Source: FY20 annual report.

6.3 Operating structure

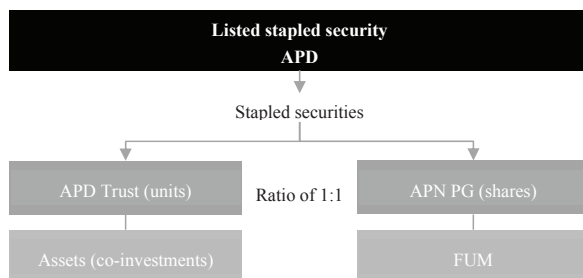
On 13 December 2019, APD completed the stapling of ordinary shares in APN Property Group Limited (APN PG) to the ordinary units in APD Trust, to form a stapled group, a structure commonly used by listed funds management businesses.

Following the stapling, neither a share nor unit can be dealt without the other in an identical manner, at the same time and subject to the same restrictions. The APD stapled structure is illustrated in the figure below.

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Figure 6: APD stapled structure



Source: Management.

6.4 Board of directors

APN PG is comprised of several wholly owned entities including APN RE Limited (APN RE) and APN Funds Management Limited (APN FM), each of which have separate boards of directors. APN RE is the responsible entity of APD Trust and APN FM manages APD's listed and unlisted managed investment schemes and mandates.

The APN FM board is responsible for the interests of the investors in the managed funds. The APN FM board ensures that the responsibility for managing the interests of securityholders in APD is independent of that of the managed funds and their respective investors.

The APN PG board is responsible for the overall management of APD and is focused on serving the interests of all stakeholders. APN PG's current board members are set out in the following table:

Table 2: APN PG's board members

Board members
Christopher Aylward (Non-Executive Chairman)
Clive Appleton (Independent Director)
Howard Brenchley (Independent Director)
Danielle Carter (Independent Director)
Timothy Slattery (Chief Executive Officer)

Source: HY21 financial report.

6.5 Funds management

6.5.1 Overview of managed funds

APD manages 11¹¹ funds that are mainly focused on Australian property in the industrial, retail convenience, office and retail sectors, with total FUM of \$2,926 million at 31 December 2020. The managed funds are: RES funds, ADI, AQR and direct property funds.

APD also co-invests in six of its managed funds. An overview of APD's managed funds and co-investments are summarised in the following table:

¹¹ Including the APN AREIT NZ PIE Fund.



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Table 3: FUM overview and co-investment structure at 31 December 2020

Funds	Main sectors	Investors	FUM	APD	
			(\$m)	Co-investment \$m	% ³
RES funds					
APN AREIT Strategy ⁴	Retail, Industrial, Office	R&I ¹	1,124	-	-
APN Property for Income Fund	Retail, Industrial, Office	R&I	87	-	-
APN Property for Income Fund No. 2	Retail, Industrial, Office	R&I	28	-	-
APN Asian REIT Fund	Retail, Industrial, Office	R&I	49	1	2.7%
APN Global REIT Income Fund	Retail, Industrial, Office	R&I	5	3	58.6%
APN Industria REIT (ADI)	Industrial & BP ²	R&I	952	82	13.7%
APN Convenience Retail REIT (AQR)	Convenience retail	R&I	543	44	10.2%
Direct property funds					
APN Regional Property Fund	Office	Retail	67	2	3.9%
APN Nowra Property Fund	Retail	Institutional	26	-	-
APN Development Fund No. 2	Development	Institutional	47	1	4.8%
Total			2,926	134	

Source: HY21 financial report and results presentation.

Note 1: Retail and institutional.

Note 2: Industrial and business parks.

Note 3: APD's percentage ownership of fund.

Note 4: APN AREIT Strategy comprises of two funds: APN AREIT Fund and NZ PIE Fund.

Note 5: Rounding differences may exist.

6.5.2 RES funds

Overview

The RES funds offer products for retail and institutional investors seeking exposure to active, income focused management strategies via listed funds. The RES funds are distributed via independent financial advisory networks, major financial institutions and independent investment platforms and wraps, broker networks and self-directed investors.

The RES division reported total FUM of \$1,292 million at 31 December 2020 across the six funds under management.

The RES funds invest largely in a mix of Australian and international REITs, providing diversified and liquid property investments for investors. The RES portfolio is predominately exposed to the retail, industrial and office sectors with an investment timeframe of five to seven years.

A summary of APD's managed RES funds and their associated underlying property sector allocation is illustrated in the table below.



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Table 4: RES fund overview and underlying property sector allocation

RES fund	Start date	FUM (\$m) ¹	Underlying property sector allocation ²				
			Retail	Industrial	Office	Residential	Other
APN AREIT Strategy	Jan-09	1,124	37%	24%	23%	0%	16%
APN Property for Income Fund	Aug-98	87	37%	25%	22%	0%	16%
APN Property for Income Fund No. 2	Jun-05	28	37%	24%	22%	0%	17%
APN Asian REIT Fund	Jul-11	49	31%	28%	24%	7%	10%
APN Global REIT Income Fund ³	Apr-20	5	22%	23%	4%	1%	50%
Total		1,292					

Source: HY21 financial report and results presentation; and May 2021 fund flyers.

Note 1: At 31 December 2020.

Note 2: Based on the latest fund flyers for each fund.

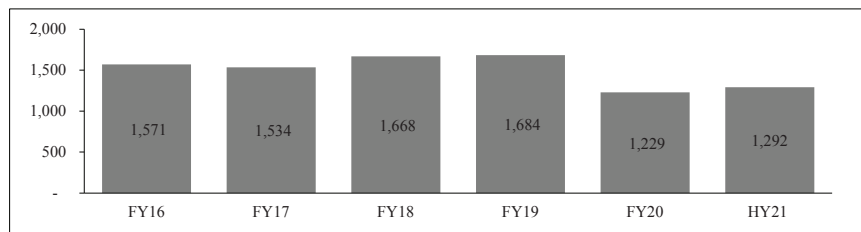
Note 3: Property sector allocation is based on the underlying REITs sector focus.

Note 4: Rounding differences may exist.

FUM growth

As illustrated in the figure below, total RES FUM remained relatively stable over FY16 to FY19 at approximately \$1.6 to \$1.7 billion. FUM decreased by \$455 million or 27% to \$1.2 billion in FY20, mainly as a result of COVID-19's impact on equity markets. FUM slightly recovered in HY21, increasing by 5.1% to \$1.3 billion. RES FUM is mainly driven by movements in the APN AREIT Strategy (APN AREIT) FUM, which accounted for approximately 77% to 87% of total RES FUM over the period.

Figure 7: RES FUM (\$m) from FY16 to HY21



Source: HY21 financial report and results presentation.

Movements in RES FUM were driven by: (i) net capital inflows or outflows and (i) mark-to-market movements (i.e. returns), as presented in the table below.

Table 5: RES FUM movements from FY17 to HY21

Movement in FUM (\$m)	FY17	FY18	FY19	FY20	HY21
Net inflows/ (outflows)	128	56	(64)	(24)	(83)
Returns	(165)	78	80	(432)	146
Total FUM at end of period	(37)	134	16	(455)	63

Source: FY17 annual report to HY21 financial report.



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RES experienced net inflows (\$128 million and \$56 million in FY17 and FY18, respectively) and net outflows over the FY19 to HY21 period, with notably net outflows of \$83 million in HY21.

The RES FUM was significantly impacted by COVID-19 with unfavourable mark-to-market movements of \$432 million in FY20. Net outflows in HY21 were offset by favourable mark-to-market movements of \$146 million as markets recovered from the impact of COVID-19.

Underlying funds

A brief description of each fund is provided below:

- **APN AREIT Fund (APN AREIT):** invests in ASX listed A-REITs that are primarily positioned towards resilient sectors including non-discretionary and convenience retail, industrial, childcare and storage property sectors
- **APN AREIT NZ PIE Fund (APN NZ PIE):** an income focused property securities fund that invests in the APN AREIT Fund
- **APN Property for Income Fund (APN PIF I) and APN Property for Income Fund No.2 (APN PIF II):** are both legacy funds which are no longer marketed for new investment and broadly follow a similar investment strategy to APN AREIT
- **APN Asian REIT Fund (APN ARF):** primarily invests in Asian REITs, with exposure to key Asian commercial property markets: Singapore, Japan and Hong Kong. At 31 March 2021, the geographical allocation of the underlying portfolio is as follows: Japan (43%), Singapore (27%), Hong Kong (13%), Australia (7%), China (5%), New Zealand (1%) and other (4%)¹²
- **APN Global REIT Income Fund (APN GRIF):** the fund commenced in April 2020 and was launched in September 2020, providing investors with the opportunity to invest in a diverse portfolio of global listed REITs, managed by a team of investment managers in Australia and the United States. The fund focusses on recurring rental income generated from quality real estate assets across a diverse range of property sectors, including mobile phone towers, warehousing, logistics and healthcare real estate, providing exposure to markets overseas which are not available to investors in Australia. At 31 March 2021, the geographical allocation of the underlying portfolio is as follows: United States (54%), Singapore (14%), Canada (13%), Australia (6%), United Kingdom (5%), Japan (4%), Hong Kong (2%), France (1%) and Spain (1%)¹³. Total FUM has increased significantly from \$1.0 million in FY20 to \$5.0 million in HY21 and is forecast to continue growing. In December 2020, APD committed \$10 million into the fund¹⁴.

6.5.3 ADI

ADI is an ASX listed REIT that owns industrial and office properties that provide workspaces for businesses, with 38 industrial and business park assets, predominantly located across the Australian eastern seaboard.

ADI's strategy is based on:

- providing businesses with attractively priced and well-located workspaces
- proactively approaching innovation to deliver improved tenant satisfaction and retention
- producing sustainable income and capital growth returns.

¹² APN Asian REIT Fund May 2021 flyer.

¹³ APN Global REIT Fund May 2021 flyer.

¹⁴ APD website and APN Global REIT Fund May 2021 flyer.

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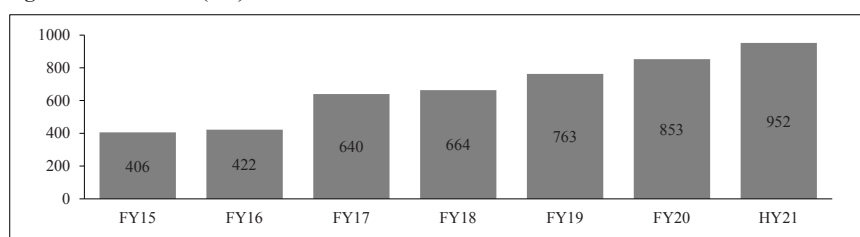


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FUM growth

As illustrated in the figure below, ADI's FUM has grown at an annualised rate of 16.8% over the FY15 to HY21 period. ADI FUM increased by \$99 million or 11.6% over the FY20 to HY21 period, driven by: (i) net investments of approximately \$79 million, following an equity raising in order to finance a series of acquisitions (further discussed overleaf); and (ii) revaluation uplifts of approximately \$19.0 million.

Figure 8: ADI FUM (\$m) from FY15 to HY21



Source: HY21 financial report and results presentation.

Portfolio characteristics

At 31 December 2020, ADI's portfolio was valued at approximately \$952 million based on independent external property valuations¹⁵, with a weighted average lease expiry (WALE) of 5.1 years and an occupancy rate of 97%. The portfolio exhibits a sustainable level of income security with contractual annual rental growth of 3.0% on average.

Details of ADI's portfolio at 31 December 2020 are summarised in the following table.

Table 6: ADI summary metrics at 31 December 2020

Key metric	
Market capitalisation ¹	\$696.6m
Portfolio value	\$952m
Sector focus	Industrial (61%) and Business parks (39%)
Net lettable area (NLA)	349,257 sqm
Occupancy	97%
WALE (by area)	5.1 years
Weighted average capitalisation rate (WACR)	6.2%
Average rent review	3.0%
Distribution yield ²	6.0%
Gearing target	30% - 40%
Gearing	31%

Source: ADI HY21 results presentation.

Note 1: As at 9 June 2021.

Note 2: At 16 February 2021.

ADI's portfolio is predominantly exposed to the industrial sector, which represented 61% of the portfolio value at 31 December 2020, with the remaining 39% focused on business parks.

¹⁵ Portfolio was 100% independently revalued throughout 2020, including 56% of the portfolio at 31 December 2020.

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As illustrated in the figure below, ADI's top 10 tenants account for approximately 56% of total rental income, with WesTrac representing 21% of total rental income. Tenants are predominantly ASX listed companies (48%).

Figure 9: ADI's top 10 tenants

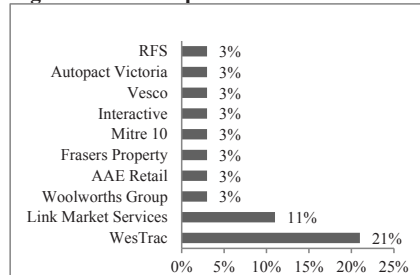
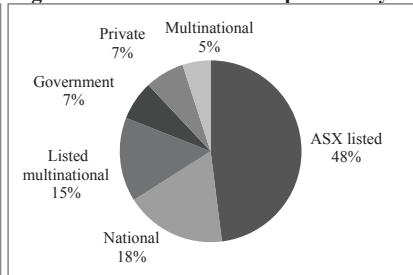


Figure 10: ADI's tenant composition by nature



Source: HY21 financial report and results presentation.

ADI's portfolio is mainly comprised of three key industrial and office parks (WesTrac, Rhodes Corporate Park and Brisbane Technology Park), which account for 62% of the total portfolio value at 31 December 2020.

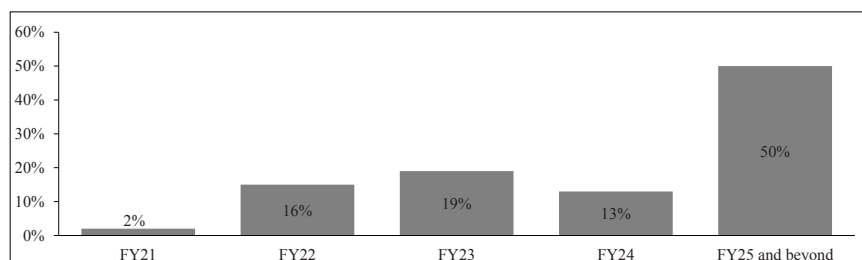
Table 7: ADI's key properties and locations at 31 December 2020

Property	Location	Number of buildings	WALE (years)	Valuation (\$m)	% of total portfolio
WesTrac Newcastle	Newcastle	1	13.7	222	23%
Rhodes Corporate Park	Sydney	2	1.6	189	20%
Brisbane Technology Park	Brisbane	13	2.5	178	19%
Other industrial	Melbourne, Adelaide and Brisbane	21	4.1	363	38%
Total				952	100%

Source: HY21 financial report and results presentation.

As illustrated in the figure below, 18% of total lease income is due to expire prior to FY23, mainly reflecting the Rhodes Corporate Park lease contracted with Link Market Services, expiring in September 2021. ADI is currently seeking new tenants for the space that will be vacated.

Figure 11: ADI's lease expiry profile (by income) at 31 December 2020



Source: HY21 financial report and results presentation.

Share price analysis for ADI is covered in Section 8.4.



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Recent developments

On 10 December 2020, ADI announced it had agreed to acquire three properties at Adelaide Airport for \$29.6 million and a property in Stapylton, Queensland, for \$62.5 million. These properties are modern industrial warehouses that generate high yield, benefit from average rental growth of 2.9% per annum, and are underpinned by a 3.1-year WALE, providing opportunities to add value over the medium term. The properties were settled in December 2020 (Stapylton) and March 2021 (Adelaide Airport).

These acquisitions were funded by a combination of debt and equity, although APD did not participate in the equity raising.

On 30 March 2021, ADI announced the acquisition of an industrial warehouse in Corio, Victoria for \$36 million, which was completed in April 2021.

On 7 May 2021, ADI announced draft unaudited valuations for 30 June 2021. Valuations were undertaken over 17 of the 23 industrial properties, with values increasing by \$64.3 million or 11.9%.

Growth opportunities

ADI is focusing on opportunities in the warehousing and logistics sector with over \$1.4 billion of on-market and off-market opportunities assessed and approximately \$380 million in offers submitted.¹⁶ Key acquisition criteria for ADI includes:

- the location of underlying asset and ability to re-lease to other occupiers and add-value
- the value of underlying land and replacement cost
- the assessment of the tenant.

6.5.4 AQR

AQR is a listed Australian REIT that wholly owns a portfolio of 88 service stations and convenience retail assets located across Australia.

AQR's strategy is based on:

- investing in strategically located service stations and convenience retail assets with long term leases and quality tenants
- providing investors with a defensive and growing income stream, with the potential for capital growth over time.

¹⁶ ADI FY20 financial report.

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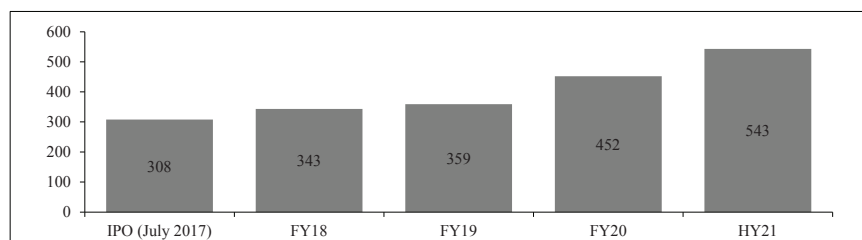


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FUM growth

AQR FUM has grown at an annualised rate of 17.6% over the FY17 to HY21 period. AQR FUM increased by \$91 million or 20.1% over the FY20 to HY21 period, predominantly driven by: (i) net investments of approximately \$72 million, mainly driven by new equity raised in order to finance a series of acquisitions and developments (further discussed overleaf); and by (ii) revaluation uplifts of approximately \$11.1 million.

Figure 12: AQR FUM (\$m) over FY17 to HY21



Source: HY21 financial report and results presentation.

Portfolio characteristics

At 31 December 2020, AQR's portfolio was valued at approximately \$532 million based on independent external property valuations and Directors' valuations¹⁷, with a WALE of 10.6 years and an occupancy rate of 100%. The portfolio exhibits a sustainable level of income security with contractual annual rental growth of 2.9% on average.

Details of AQR's portfolio at 31 December 2020 are summarised in the following table.

Table 8: AQR summary metrics at 31 December 2020

Key metric	
Market capitalisation ¹	\$459.2m
Portfolio value	\$532m
Sector focus	Service stations (94%) and complementary retail (6%)
NLA	524,120 sqm
Occupancy	100%
WALE (by income)	10.6 years
WACR	6.5%
Average rent review	2.9%
Distribution yield ²	6.3%
Gearing target	25% - 40%
Gearing	21.1%

Source: AQR HY21 results presentation.

Note 1: As at 9 June 2021.

Note 2: At 16 February 2021.

The site classification and geographic location of AQR's property portfolio at 31 December 2020 are illustrated below.

¹⁷ 17 properties out of 88 were the subject of independent valuations during the period, the balance being Director's valuations (reviewed by an independent valuer for reasonableness).

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Figure 13: AQR's portfolio by site classification

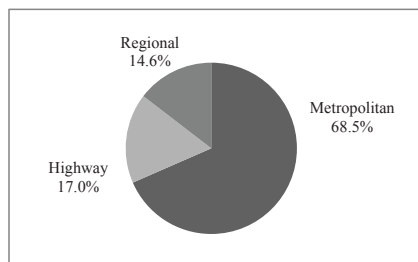
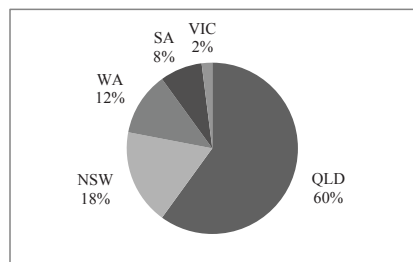


Figure 14: AQR's portfolio by geography



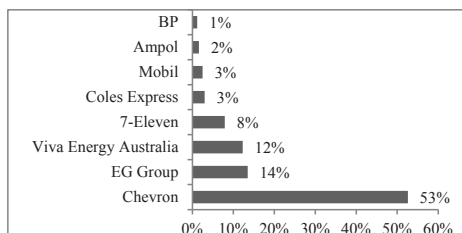
Source: HY21 financial report and results presentation.

In relation to AQR's portfolio at 31 December 2020, we note:

- the portfolio is predominantly situated in metropolitan areas, which account for 68.5% of the portfolio value
- the portfolio is strongly weighted towards the Queensland market, which represents 60% of the total portfolio value.

AQR's properties are mainly leased to leading Australian and international convenience retail tenants: Chevron (53%), EG Australia (14%), Viva Energy (12%) and 7-Eleven (8%).

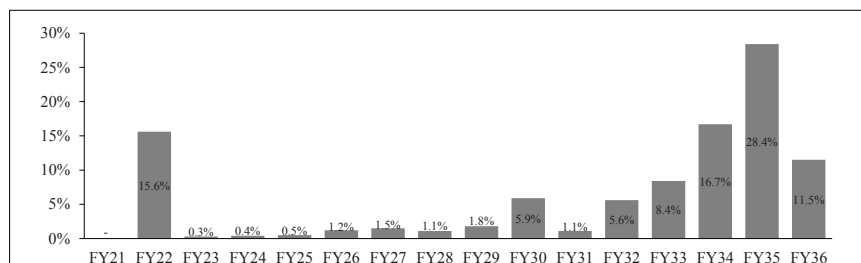
Figure 15: AQR's portfolio by tenant



Source: HY21 results presentation.

The portfolio provides a long lease expiry profile with 78% of lease income expiring in FY30 and beyond. The 15.6% of lease income due to expire in FY22 relates to 13 leases with EG Group for which commercial terms have been successfully agreed for 10-year extensions.

Figure 16: AQR's lease expiry (by income) at 31 December 2020



Source: HY21 financial report and results presentation.

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Share price analysis for AQR is covered in Section 8.5.

Recent acquisitions and growth opportunities

In December 2020, AQR announced:

- the acquisition of three service stations and convenience retail properties (Berrinba, Lonsdale and Paradise) located in South Australia and Queensland for a total consideration of \$18.2 million
- exclusive due diligence on a further nine assets located in South Australia, New South Wales, Queensland and Western Australia for a total consideration of \$57.1 million.

The Berrinba property settled in January 2021, Lonsdale settled in April 2021, while Paradise is expected to settle in June 2021.

The acquisitions were funded by a combination of debt and a \$30 million equity raising.

In May 2021, AQR announced the acquisition of a portfolio of six service station and convenience retail properties located in Queensland for a total consideration of \$59 million.

The properties are all newly built between 2014 and 2017, with over 80% of the income securely leased to major tenant, including 7-Eleven (68%), Oporto (6%), Anytime Fitness (5%), Thrifty Car Rentals (3%) and BWS (3%). The combined WALE of the portfolio is 10.1 years and weighted average rent review is 3.19% per annum.

Settlement of this portfolio is scheduled to occur in September 2021 and the acquisitions will be funded from existing debt facilities and commitments.

On 21 May 2021, AQR announced the acquisition of a portfolio of six properties in South Australia for a total consideration of \$35.5 million, which represents an average purchase yield of 5.90%. The properties have new 20-year leases with fixed annual rent reviews of 2.75%. The acquisition will be funded by debt.

AQR notes that further development opportunities continue to emerge as vendors and developers target buyers that can provide cash certainty and speed of execution.

6.6 Direct property funds

Direct property funds predominately comprise of fixed term unlisted direct property syndicates. Generally established as single purpose, single asset or single asset class funds, investors are provided with specific opportunities to access commercial property returns that may not ordinarily be available to investors. APD create products to target specific investor risk return profiles across retail, sophisticated / high net wealth and institutional clients.

The fixed term nature of the direct property funds makes them less liquid compared to APD's other managed funds. APD manages three direct property funds with total FUM of \$140 million at 31 December 2020, as summarised in the table below.

Table 9: Direct property funds at 31 December 2020

Fund	Sector	FUM (\$m)
APN Regional Property Fund	Office	67
APN Nowra Property Fund	Retail	26
APN Development Fund No. 2	Development	47
Total		140

Source: HY21 financial report and results presentation.

A brief description of each fund is provided below:

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- **APN Regional Property Fund (APN RPF):** is a fixed term to 2024, direct property fund which owns two commercial office buildings in Newcastle, New South Wales. The buildings are leased to Government and national corporate tenants. For the six months to 31 December 2020, APN RPF had 2,670 square metres of leasing completed
- **APN Nowra Property Fund (APN NPF):** is a single asset fixed term to 2023, direct property fund which owns a large format retail centre in Nowra, New South Wales. At 31 December 2020, APN NPF's WALE was 10.6 years. The major tenant is Home Co. with the rental income guaranteed by Woolworths Limited
- **APN Development Fund No. 2 (APN DF II):** is a closed end wholesale property development fund which owns a 3.3-hectare site located in Port Melbourne. The site was zoned light industrial but now falls within the new Capital City zone. The original development plan for the site was completed and settled and a new planning permit for a mixed-use development is currently being progressed.

6.7 APD's funds management services and fees

APD generates funds management income from the management of the listed and unlisted funds. APD charges a range of fees which include:

- funds management fees: a fee for the management and operation of the fund, typically a percentage per annum of the gross asset value (GAV)
- performance fees: where the total return on the fund exceeds a hurdle amount. APD only charges performance fees for two of its managed direct funds: APN Nowra Property Fund and APN Development Fund No.2
- other fees: which mainly comprise: (i) transaction fees, (ii) asset, leasing and project management fees; and (iii) registry and other income. The nature and basis of these other fees vary on a fund by fund basis.

The following table provides an overview of the management and performance fee structure of APD's funds under management.

Table 10: Summary of APD's management and performance fee structure

Funds	Description	Management fee% ¹	Performance fee%
RES funds			
APN AREIT	Capped management fee as a % of GAV	0.85%	n/a
APN PIF I	Capped management fee as a % of GAV	1.05%	n/a
APN PIF II	Capped management fee as a % of GAV	1.08%	n/a
APN ARF	Capped management fee as a % of GAV	0.98%	n/a
APN GRIF	Capped management fee as a % of GAV	0.98%	n/a
ADI	0.55% up to a GAV of \$750m	0.45% - 0.55%	n/a
	0.50% for a GAV between \$750m and \$1,500m		
	0.45% for a GAV excess of \$1,500m		
AQR	0.65% up to a GAV of \$500m	0.50% - 0.65%	n/a
	0.60% for a GAV between \$500m and \$1,000m		
	0.55% for a GAV between \$1,000m and \$1,500m		
	0.50% for a GAV excess of \$1,500m		
Direct property funds			
APN RPF	Capped management fee as a % of GAV	0.65%	n/a
APN NPF	Capped management fee as a % of GAV	0.75%	30.0%
	Performance fee: % of the Fund's IRR in excess of 7.50%		

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APN DF II	Base fee: the fund manager will charge a base fee of 1.25% of the aggregate of all invested (or committed) capital that has been called with a minimum of \$0.45 million annually	1.25%	33.3%
	Performance fee: % of the Fund's IRR in excess of 14.0%		

Source: Latest flyers and product disclosure statements, APD website.

Note 1: Management fees comprise investment management fees, expense recoveries and indirect costs.

6.8 Co-investments

APD invests alongside its investors via co-investment stakes in the funds it manages, providing alignment of interests, and the ability to share in the risks and returns offered by the external funds.

At 31 December 2020, APD has co-investment interests ranging from 2.7% to 58.6% across six funds, totalling \$134 million.

APD is a major investor in ADI (13.7%) and AQR (10.2%), with a total value of \$82 million and \$44 million, respectively at 31 December 2020.

APD's co-investments at 31 December 2020 are summarised in the table below.

Table 11: APD's co-investments at 31 December 2020

Funds	FUM \$m	APD Co-investment \$m	% ¹
RES funds			
APN Asian REIT Fund	49	1	2.7%
APN Global REIT Income Fund	5	3	58.6%
APN Industria REIT	952	82	13.7%
APN Convenience Retail REIT	543	44	10.2%
Direct property funds			
APN Regional Property Fund	67	2	3.9%
APN Development Fund No. 2	47	1	4.8%
Total		134	

Source: HY21 financial report and results presentation.

Note 1: APD's percentage ownership of fund.

Note: Rounding differences may exist.

Refer to Section 6.5 for further details regarding the characteristics of the underlying funds in which APD co-invests.

APD's co-investment income consists of APD's share of distributions from investments in the five funds mentioned above. APD's co-investment income of \$4.0 million for HY21 accounted for 29.8% of APD's total net income.

6.9 Growth opportunities

APD continues to progress a range of platform growth opportunities. Specifically, APD is evaluating new investment funds in the childcare and real estate debt sectors which present future opportunities to establish funds with strong and consistent risk adjusted returns and scalable revenue streams.



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Childcare

At 31 December 2020, APD had more than \$50 million assets in the childcare sector under review and an unlisted wholesale childcare fund under consideration for the calendar year 2021¹⁸. Key investment highlights for the childcare sector as noted by APD in its HY21 results presentation are:

- established evidence of sector's resilience
- broad based Government support
- long lease terms available
- opportunity to partner with developers to access assets
- opportunity with 'best in class' investment management professionals
- potential future ASX listing.

Real estate debt

APD has an initial target real estate debt portfolio of over \$100 million under discussion. Key investment highlights for the real estate debt sector as noted by APD in its HY21 results presentation are:

- potential to partner with market leading originator and manager
- opportunity to deliver strong risk adjusted returns through investment selection and management
- ability to deliver regular cash distributions
- ongoing investment opportunity within Australian real estate credit market
- potential future ASX listing.

¹⁸ APD HY21 results presentation.

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6.10 Historical financial information

The financial performance of APD for FY19, FY20 and HY21 is summarised in the following table.

Table 12: APD's historical consolidated financial performance

Period \$'000 unless otherwise stated	FY19 Audited	FY20 Audited	HY21 Reviewed
Funds management fees	15,038	15,279	7,277
Performance and transaction fees	374	272	375
Asset, leasing and project management fees	269	689	544
Registry and other fees	2,289	2,200	1,127
Total net funds management income	17,970	18,440	9,323
Co-investment income	7,985	7,912	3,954
Rental and other property related income	640	-	-
Total net income	26,595	26,352	13,277
Employment costs	(10,345)	(9,547)	(3,678)
Occupancy costs	(678)	(310)	(92)
Sales and marketing costs	(710)	(776)	(71)
Other costs	(2,051)	(2,433)	(1,001)
Depreciation and amortisation	(141)	(704)	(337)
Financial income / (expenses)	(88)	(305)	(179)
Operating earnings before tax	12,582	12,277	7,919
Income tax expense	(3,350)	(1,927)	(1,210)
Operating earnings after tax¹	9,232	10,350	6,709
Other non-operating items, including income tax ²	5,301	(6,152)	16,227
Statutory profit after tax	14,533	4,198	22,936
Earnings per security (cents):			
EPS from operating earnings	2.94	3.12	2.05
Statutory EPS	4.67	1.02	7.13
Metrics			
Operating costs ³	(13,784)	(13,066)	(4,842)
Recurring income ⁴	26,221	26,080	12,902
Recurring income as a % of total net income	98.6%	99.0%	97.2%
FUM (\$ billion)	2.9	2.7	2.9
FUM growth (%)	5.2%	(9.0%)	9.0%
Funds management fees as a % of total net funds management income	83.7%	82.9%	78.1%
Distributions per security (cents)	2.75	3.15	1.70
Payout ratio (as a % of EPS from operating earnings)	94%	101%	83%

Source: FY19 annual report to HY21 financial report, FY19 to HY21 results presentations.

Note 1: Operating earnings after tax is an unaudited performance metric used by APD as the key measurement of underlying performance. It adjusts statutory profit for certain non-operating items recorded in the income statement including certain business development expenses and realised/ unrealised fair value movements on APD's co-investments.

Note 2: Non-operating activities include certain business development expenses and realised/ unrealised fair value movements on APD's co-investments.

Note 3: Operating costs include employment, occupancy, sales and marketing and other costs.

Note 4: Recurring income refers to total net income excluding performance and transactions fees.

6.10.1 Comparative information

In relation to the financial performance of APD, we note:

- on 13 December 2019 the securities of APN PG and APD Trust were stapled together to create APD. Consequently, the FY20 profit and loss statement includes profits generated by APN PG for the period from 1 July 2019 to 12 December 2019 and by APD, comprising APN PG and the APD Trust from 13 December

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2019 to 30 June 2020. FY19 comparative information represents the results of APN PG for the period from 1 July 2018 to 30 June 2019

- the HY21 financial statements reflect profits generated by APD.

Refer to section 6.3 for further details regarding APD's stapled structure.

6.10.2 Key drivers

APD generates revenue predominantly from management fees and co-investment income.

Funds management income

- total net funds management income is mainly driven by funds management fees, which represent approximately 80% of total net funds management income over the FY19 to HY21 period
- funds management fees are generated based on FUM and movements in fees are reflective of the FUM performance of the underlying funds. FUM is mainly driven by:
 - the value of the underlying property or property securities, which vary due to a combination of acquisitions, disposals, developments and revaluations, and
 - inflows and redemptions of capital to and from the funds.

The following table presents APD's FUM over the FY19 to HY21 period.

Table 13: FUM over FY19 to HY21

Funds	FY19	FY20	HY21
Real Estate Securities (RES)	1,684	1,229	1,292
APN Industria REIT (ADI)	763 ¹	853 ²	952 ²
APN Convenience Retail REIT (AQR)	359	452	543
Direct Funds	142	150	140
Total FUM	2,948	2,684	2,926
Growth rates			
Real Estate Securities (RES)	1.0%	(27.0%)	5.1%
APN Industria REIT (ADI)	14.9%	11.8%	11.6%
APN Convenience Retail REIT (AQR)	4.7%	25.9%	20.1%
Direct property funds	11.8%	5.6%	(6.7%)
Total growth	5.2%	(9.0%)	9.0%

Source: FY19 annual report to HY21 financial report, and FY19 to HY21 results presentations.

Note 1: Includes \$19 million of right-of-use assets.

Note 2: Includes \$20 million of right-of-use assets.

Note 2: Rounding differences may exist.

Co-investment income

- co-investment income consists of APD's share of distributions received from investments in APD's listed and unlisted funds, with ADI and AQR being the two largest investments. Co-investment income is derived from rental receipts from the properties owned by the underlying funds.

6.10.3 HY21 performance

- total net funds management income of \$9.3 million for the six months ended 31 December 2020 was \$0.3 million or 2.6% lower than the prior comparative period (HY20) of \$9.6 million, mainly driven by a \$0.7 million or 8.9% decrease in funds management fees

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- funds management fees of \$7.3 million were \$0.7 million lower than in HY20, mainly reflecting: (i) lower average FUM in the RES fund offset by: (ii) the impact of acquisitions carried out by AQR and ADI (further discussed below)
- FUM at 31 December 2020 increased by \$0.2 billion or 9.0% to \$2.9 billion compared to \$2.7 billion at 30 June 2020. The movement in FUM across APD's funds over the six months period from 30 June 2020 to 31 December 2020 reflected:
 - RES: FUM increased by \$63 million or 5.1% to \$1,292 million driven by: (i) total net mark-to-market revaluations of \$146 million, partially offset by: (ii) net fund outflows of \$83 million
 - ADI: FUM increased by \$99 million or 11.6% to \$952 million, mainly driven by net investments of approximately \$79 million (announced acquisition of \$108 million of assets) and revaluation uplifts of approximately \$19.0 million
 - AQR: FUM increased by \$91 million or 20.1% to \$543 million, mainly driven by net investments of approximately \$72 million (\$81.9 million of new property acquisitions and developments) and revaluation uplifts of approximately \$11.1 million
 - Direct funds: FUM decreased by \$10 million or 6.7% to \$140 million, predominantly due to: (i) the completion of the sale of APN Coburg North Retail Fund which had total FUM of \$24 million at 30 June 2020, partially offset by: (ii) a \$12 million increase in the APN Regional Property Fund FUM. The Coburg North Shopping Centre was sold at a premium of approximately 13% to its acquisition price
- income from performance and transaction fees of \$0.4 million mainly relate to the sale of APN Coburg North Retail Fund
- co-investment income decreased by \$0.1 million or 1.8% to \$4.0 million compared to HY20, mainly due to a reduction in the stake held in the APN Regional Property Fund, from 24.2% in HY20 to 3.9% in HY21 following sell down of units in the fund to investors
- recurring income, which refers to total net income excluding performance and transactions fees, represented approximately 97% of total net income in HY21
- total operating costs reduced by \$0.7 million or 13.0% to \$4.8 million compared to HY20, largely due to a reduction in sales, marketing and travel expenses as a result of COVID-19
- operating earnings after tax of \$6.7 million in HY21 were 4.5% higher than in HY20, mainly reflecting: (i) growth within the listed REITs (ADI and AQR), (ii) a decrease in the overall cost base, partially offset by: (iii) lower net funds management income from RES funds
- on a per security basis, operating earnings increased by 1.0% compared to HY20
- non-operating items (net of tax) totalled \$16.2 million in HY21, largely comprised of: (i) favourable mark-to-market adjustments on APD's co-investments in ADI, AQR and the APN Regional Property Fund which in aggregate totalled \$16.5 million, offset by: (ii) \$0.2 million of business development costs
- statutory profit of \$22.9 million, representing diluted earnings per security of 7.13 cents was 31.8% higher than the prior comparative period of \$17.4 million and diluted earnings per security of 5.61 cents
- distribution of 1.70 cents per security was up 6.3% on HY20, reflecting a payout ratio (as a percentage of EPS from operating earnings) of 83% (versus 79% in HY20). APD typically pays out approximately 100% on a full year basis.



6.10.4 FY20 performance

- total net funds management income of \$18.4 million was \$0.5 million or 2.6% higher than in FY19 of \$18.0 million, mainly driven by:
 - a \$0.4 million or 156.1% increase in asset, leasing and project management fees, driven by an increase in activities at ADI's Brisbane Technology Park. The ADI fund achieved leasing volumes of 28,900 square metres in FY20, including 11,100 sqm across 49 transactions at Brisbane Technology Park
 - a \$0.2 million or 1.6% increase in funds management fees, mainly reflecting: (i) higher FUM due to acquisitions in ADI (further discussed below), offset by: (ii) lower FUM in the RES funds due to unfavourable market movements as a result of COVID-19
 - a \$0.1 million or 27.3% decrease in performance and transaction fees
- FUM at 30 June 2020 decreased by \$0.3 billion or 9.0% to \$2.7 billion compared to \$2.9 billion at 30 June 2019. The movement in FUM across APD's funds over the FY20 period reflects:
 - RES: FUM decreased by \$455 million or 27% to \$1,229 million driven by: (i) unfavourable market movements of \$432 million as a result of COVID-19's impact on equity markets; and (ii) net fund outflows of \$24 million
 - COVID-19 had a significant impact on REITs globally, with the Australian REIT market more severely impacted due to its higher exposure to retail assets, discussed further within Appendix 3
 - ADI: FUM increased by \$90 million or 11.8% to \$853 million, mainly driven by the acquisition of three industrial properties for \$57 million, which were financed via a \$47 million equity raising as well as additional debt facilities
 - AQR: FUM increased by \$93 million or 25.9% to \$452 million, mainly driven by: (i) \$58 million of net acquisitions and development projects; and (ii) portfolio revaluation gains of \$31.9 million arising from the acquisition of Puma Energy Australia by Chevron and contract rent increases across the portfolio
 - direct funds: FUM increased by \$8.0 million or 5.6% to \$150 million, driven by an increase in FUM across all direct funds:
 - APN Regional Property Fund: FUM up by \$1.0 million or 1.9%
 - APN Coburg North Retail Fund: FUM up by \$3.0 million or 14.3%
 - APN Nowra Property Fund: FUM up by \$2.0 million or 8.3%
 - APN Development Fund No.2: FUM up by \$3.0 million or 7.0%

The wind up of the APN Steller Development Fund was completed during FY20

- co-investment income decreased by \$0.1 million or 0.9% over FY20 reflecting: (i) increased distributions from ADI and the remaining stake held in APN Regional Property Fund, offset by: (ii) the one-off profit distribution received from APN Steller Development Fund in the prior period
- rent and other property related income decreased from \$0.6 million in FY19 to nil in FY20, reflecting the syndication of APN's Nowra property during the prior period
- recurring income represented approximately 99.0% of total net income in FY20 (98.6% in FY19)
- total operating costs reduced by \$0.7 million or 5.2% compared to FY19, largely driven by:

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- a \$0.8 million or 7.7% decrease in employment costs, mainly due to a reversal in share-based payments
 - a \$0.4 million or 54.3% decrease in occupancy costs following the adoption of AASB 16 Leases with lease payments now recognised within depreciation and interest expenses (refer to below)
- depreciation and amortisation and net financial expenses both increased significantly over the FY19 to FY20 period, mainly reflecting the adoption of AASB 16 Leases
- operating earnings before tax of \$12.3 million in FY20 was \$0.3 million or 2.4% lower than in FY19, mainly reflecting: (i) higher depreciation and interest expense following the adoption of AASB 16 Leases, offset by: (ii) lower employment and occupancy costs
- operating earnings after tax of \$10.4 million in FY20 were 12.1% higher than in FY19, mainly due to the change in tax arrangements under APD's stapled structure and a reversal in share-based payment costs not subject to tax
- on a per security basis, operating earnings increased by 6.1% over the year to 3.12 cents
- non-operating items (net of tax) contributed a loss of \$6.2 million in FY20, largely comprised of (i) unfavourable mark-to-market movements in co-investments (ADI), partially offset by (ii) the reversal of deferred tax liabilities as part of stapling process
- statutory profit of \$4.2 million, representing diluted earnings per security of 1.02 cents was 71.1% lower than in FY19 of \$14.5 million and diluted earnings per security of 4.67 cents
- distribution of 3.15 cents per security was up 14.5% compared to FY19, reflecting a payout ratio (as a percentage of EPS from operating earnings) of 101% (versus 94% in FY19).



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6.11 Historical financial position

APD's historical consolidated financial position at 30 June 2019, 30 June 2020 and 31 December 2020 is summarised below.

Table 14: APD's historical consolidated financial position

At		30 June 2019	30 June 2020	31 Dec 2020
\$'000 unless otherwise stated	Ref	Audited	Audited	Reviewed
Cash and cash equivalents	6.11.1	15,672	16,299	21,070
Trade and other receivables	6.11.2	5,554	5,983	5,694
Financial assets - held for sale	6.11.3	11,376	6,946	-
Current assets		32,602	29,228	26,764
Financial assets	6.11.3	116,096	107,561	133,592
Property, plant and equipment	6.11.4	396	549	541
Intangible assets	6.11.5	1,756	1,700	1,700
Right-of-use assets	6.11.6	-	2,108	1,850
Deferred tax assets	6.11.7	-	552	154
Non-current assets		118,248	112,470	137,837
Total assets		150,850	141,698	164,601
Trade and other payables	6.11.8	3,453	8,993	8,469
Current tax liabilities		210	852	538
Provisions	6.11.9	3,343	3,485	3,004
Borrowings	6.11.10	6,004	-	9,000
Lease liability	6.11.6	-	460	482
Current liabilities		13,010	13,790	21,493
Borrowings	6.11.10	-	9,000	-
Provisions	6.11.9	1,061	326	381
Lease liability	6.11.6	-	1,742	1,494
Deferred tax liabilities	6.11.7	8,969	-	-
Non-current liabilities		10,030	11,068	1,875
Total liabilities		23,040	24,858	23,368
Net assets		127,810	116,840	141,233
Equity				
Contributed equity		102,885	106,705	114,548
Reserves		5,271	4,377	3,578
Retained earnings		19,654	5,758	23,107
Total equity		127,810	116,840	141,233
Statistics				
Net tangible assets	6.1.11	126,054	114,588	139,379
NTA per security (\$)	6.1.11	40.2	35.8	42.4

Source: FY19 annual report to HY21 financial report and FY19 to HY21 results presentations.

6.11.1 Cash and cash equivalents

Cash and cash equivalents are comprised of cash and bank balances available to APD and cash balances held in trust for managed funds and investors.

Cash and cash equivalents at 31 December 2020 include \$5.7 million of cash held for AFS Licences (\$5.5 million at 30 June 2020) and cash held in trust for underlying funds managed by APD of \$0.1 million (\$1.3 million at 30 June 2020).

Refer to Section 6.12 for further details regarding movements in cash and cash equivalents from 30 June 2019 to 31 December 2020.

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6.11.2 Trade and other receivables

Trade and other receivables relate to trade receivables, accrued income and prepayments.

6.11.3 Financial assets

APD's financial assets are classified as financial assets at fair value through profit or loss. Financial assets relate to co-investments in APD's listed and unlisted funds which are fair valued at the balance date. The table below summarises APD's co-investments balances and ownership percentage at 30 June 2019, 30 June 2020 and 31 December 2020.

Table 15: APD's co-investments

Funds	30-Jun-19		30-Jun-20		31-Dec-20	
	\$m	%	\$m	%	\$m	%
APN Asian REIT Fund	2	3.7%	1	2.7%	1	2.7%
APN Global REIT Income Fund			1	100.0%	3	58.6%
APN Industria REIT (ADI)	83	15.9%	68	14.5%	82	13.7%
APN Convenience Retail REIT (AQR)	30	12.2%	36	9.7%	44	10.2%
APN Regional Property Fund	11	32.5%	7	19.7%	2	3.9%
APN Nowra Property Fund	0	0.1%	0	0.1%		
APN Development Fund No.2	1	4.8%	1	4.8%	1	4.8%
Total	127		115		134	
ADI as a % of total	65.1%		59.2%		61.7%	
AQR as a % of total	23.6%		31.7%		32.9%	
Total ADI and AQR	88.7%		90.9%		94.6%	

Source: FY19 annual report to HY21 financial report and FY19 to HY21 results presentations.

Note: Rounding differences may exist.

Co-investments are mainly comprised of the ADI and AQR funds, which represent approximately 90% to 95% of total co-investments from 30 June 2019 to 31 December 2020.

The total co-investments balance increased by \$19.0 million or 16.5% from \$115 million at 30 June 2020 to \$134 million at 31 December 2020, mainly driven by:

- an increase of \$14.6 million in ADI due to favourable mark-to-market adjustments and an increase of \$7.6 million in AQR driven by acquisitions of \$6.2 million and favourable mark-to-market adjustments of \$1.4 million
- offset by a \$5.1 million decrease in the APN Regional Property Fund, mainly due to a decrease in the ownership percentage from 19.7% at 30 June 2020 to 3.9% at 31 December 2020.

The total co-investments balance decreased by \$13.0 million or 10.2% from \$127 million at 30 June 2019 to \$115 million at 30 June 2020, mainly driven by:

- a \$15.2 million decrease in the ADI balance, mainly due to unfavourable mark-to-market movements in ADI's unit price
- a \$4.4 million decrease in the APN Regional Property Fund, mainly due to a decrease in the ownership percentage from 32.5% at 30 June 2019 to 19.7% at 30 June 2020
- offset by a \$6.3 million increase in the AQR balance, driven by acquisitions of \$3.5 million and favourable mark-to-market adjustments of \$2.8 million.

6.11.4 Property, plant and equipment

Property, plant and equipment are comprised of leasehold improvements and plant and equipment.

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6.11.5 Intangible assets

Intangible assets are comprised of management rights of \$1.7 million and software.

6.11.6 Right-of-use assets and lease liabilities

The right-of-use assets and lease liabilities reflect the adoption of AASB 16 Leases from FY20.

APD recognises a right-of-use asset and a corresponding lease liability with respect to APD's lease arrangements for its commercial offices in Melbourne.

6.11.7 Deferred tax assets and liabilities

Deferred tax assets relate to temporary differences mainly arising from provisions and accruals, property, plant and equipment and unrealised gains on revaluation of investments.

The deferred tax liability balance of \$9.0 million at 30 June 2019 was reversed in FY20 as part of the stapling process.

6.11.8 Trade and other payables

Trade and other payables are comprised of trade payables, other creditors and accruals and dividend payables. Trade and other payables are non-interest bearing and the average credit period is 30 days.

The increase in trade payables from \$3.5 million at 30 June 2019 to \$9.0 million at 30 June 2020 mainly relates to a dividend payable of \$5.0 million.

6.11.9 Provisions

Provisions are mainly comprised of employee benefits, which relate to wages and salaries, short and long-term cash incentives, annual leave and long service.

6.11.10 Borrowings

Borrowings relate to the bank loan facility with Macquarie Bank with a limit of \$9.0 million. At 31 December 2020, the facility is fully drawn with a weighted average effective interest rate of 3.76% per annum (3.84% at 30 June 2020) and is subject to the following financial covenants.

Table 16: APD's bank loan facility

Covenants	30-Jun-19	30-Jun-20	31 Dec 2020
Loan to value ratio (LVR) < 35.0% ¹	8.3%	15.1%	12.5%
Distribution cover ratio (DCR) > 2.0x	11.1x	13.7x	12.9x

Source: FY19 annual report to HY21 financial report and FY19 to HY21 results presentations.

Note 1: Of the market value of other financial assets pledged as security.

The loan facility is secured by APD's financial assets, being its co-investments.

Details of APD's bank loan facility are summarised in the table below.

Table 17: Key terms of the bank loan facility

\$m	Facility limit	Amount drawn	Maturity	Security
Debt facility with Macquarie	9.0	9.0	Sep-21	Secured

Source: HY21 financial report and results presentations.

Since 31 December 2020, APD has drawn down an additional \$11 million under debt facilities (as noted in Section 8.11 of the Scheme Booklet).

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6.11.11 Net tangible assets (NTA) per security

NTA per security increased by 18.4% from 35.8 cents at 30 June 2020 to 42.4 cents at 31 December 2020, predominantly as a result of mark-to market increases in the value of APD's co-investments.

NTA per security decreased by 10.9% from 40.2 cents at 30 June 2019 to 35.8 cents at 30 June 2020, mainly reflecting the lower closing prices at 30 June 2020 for APD's aggregate listed co-investment holdings as a result of COVID-19.

6.12 Statement of cash flows

APD's historical consolidated statement of cash flows for FY19, FY20 and HY21 is summarised below.

Table 18: APD's historical consolidated statement of cash flows

Period	FY19	FY20	HY21
S'000 unless otherwise stated	Audited	Audited	Reviewed
Cash flows from operating activities			
Receipts from customers	19,428	18,844	9,560
Payments to suppliers and employees	(13,379)	(14,816)	(6,357)
Interest received	438	170	52
Distributions received	7,703	7,987	3,837
Interest and other costs of finance paid	(501)	(341)	(180)
Income taxes paid	(2,572)	(3,511)	(1,320)
Net cash provided by operating activities	11,117	8,333	5,592
Cash flows from investing activities			
Payments for investments	(24,810)	(4,750)	(8,297)
Proceeds on sale/ return of capital from investments	9,309	4,744	5,789
Payments for property, plant and equipment	(61)	(371)	(72)
Net cash flow on disposal of subsidiary	12,187	-	-
Net cash provided by / (used in) investing activities	(3,375)	(377)	(2,580)
Cash flows from financing activities			
Repayment of the lease liabilities	-	(534)	(276)
Proceeds of borrowings	-	2,996	-
Proceeds from issue of equity securities	3	4	2,035
Dividends paid	(7,059)	(9,795)	-
Net cash provided by / (used in) financing activities	(7,056)	(7,329)	1,759
Net increase/ (decrease) in cash and cash equivalents	686	627	4,771
Cash and cash equivalents at the beginning of the financial year	14,986	15,672	16,299
Cash and cash equivalents at the end of the financial year	15,672	16,299	21,070

Source: FY19 annual report to HY21 financial report.

Cash flows from operating activities

- APD generated positive operating cash flows over the FY19 to HY21 period, driven by:
 - receipts from customers in relation to net funds management activities
 - distributions from co-investments, mainly ADI and AQR
 - offset by (i) payments to suppliers and employees, which mainly reflect APD's ongoing cost base; and (ii) income tax payments.

Cash flows from investing activities

- APD generated negative investing cash flows over FY19 to HY21, driven by:

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- payments for investments, mainly in relation to acquisitions of \$15.9 million in APN Regional Property Fund and \$5.4 million in ADI in FY19; and mainly acquisitions of AQR and APN Global REIT Income Fund in FY20 and HY21
- offset by return of capital from APN Steller Development Fund of \$2.0 million in FY19 and proceeds from the sale of APD's stake in the APN Regional Property Fund over the period, with ownership decreasing from 32.5% in FY19 to 3.9% in HY21.

The FY19 net cash flow on disposal of subsidiary relates to sale of the APN Nowra Property Fund in November 2018, which was a wholly owned subsidiary of APN PG that owned the commercial property located in South Nowra, New South Wales. The property was recorded as an investment property on APD's balance at 30 June 2018. The sale followed the successful completion of the capital raising that was carried out to launch the APN Nowra Property Fund in November 2018.

Cash flows from financing activities

- Financing cash flows are mainly driven by:
 - dividends paid: \$7.1 million and \$9.8 million were paid in respect of FY19 and FY20, respectively. The interim dividend and distribution totalling 1.70 cents per security for HY21 was paid in March 2021
 - proceeds of borrowings: the net proceeds of \$3.0 million in FY20 reflect the additional drawn amount from the Macquarie Bank loan facility (fully drawn at 30 June 2020)
 - proceeds from issue of equity securities: \$2.0 million received in HY21 in relation to incentive rights exercised by employees.

6.13 FY21 distribution guidance

At its half yearly results presentation in February 2021, APD provided updated full year FY21 distribution guidance of 3.20 to 3.50 cents per security. This was up from previous guidance of 3.00 to 3.20 cents per security provided in December 2020.

6.14 Capital structure

At 30 April 2021, APD had approximately 329.5 million securities on issue. The substantial securityholders accounted for 62.0% of APD's securities on issue as outlined below.



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Table 19: APD's substantial shareholders

Securityholder	Number of securities held ('000)	Percentage of issued capital (%)
Mr. Christopher J Aylward	81,500	24.8%
Mr. Adam L Grollo	28,876	8.8%
Phoenix Portfolios	23,050	7.0%
Clime Asset Management	20,284	6.2%
Alceon Group	19,800	6.0%
Mr. Timothy J Slattery	12,644	3.8%
Mr. Howard E Brenchley	9,776	3.0%
Mr. John EM Barnes	8,471	2.6%
Total shares held by substantial securityholders	204,401	62.0%
Other shareholders	125,147	38.0%
Total shares on issue	329,548	100.00%

Source: Management.

Directors' interests

APD offers certain employees long term incentives under the APN Employee Performance Securities Plan (EPSP) and the APN Timothy Slattery Executive Plan (TSESP).

Under these plans, selected employees are granted the right to acquire securities at a nominated exercise price subject to agreed service and performance criteria (i.e. vesting conditions) being satisfied. On satisfaction of the vesting conditions, the securities are issued to the employee with the exercise price being financed by a limited recourse loan if applicable. If the issue of securities are financed by a limited recourse loan, such securities will be beneficially held in trust for the relevant employee until the repayment of such loan.

Distributions declared and paid on the issued securities are for the benefit of the employee. The employee is not permitted to deal in the securities until the limited recourse loan has been paid.

The Transaction will cause up to 20.1 million rights to vest prior to the Scheme Record Date.

At 30 April 2021, the Directors of APD held the following securities and rights.

Table 20: Director's and key management's relevant interests

Name	Position	Securities held ('000)	Rights granted ('000)	Rights vested ('000)	Rights unvested ('000)	Loans outstanding (\$000)
Christopher J Aylward	Non-Executive Chairman	81,500	-	-	-	-
Timothy J Slattery	Chief Executive Officer	12,644	19,546	12,046	7,500	3,768
Howard E Brenchley	Independent Director	9,776	-	-	-	-
Clive R Appleton	Independent Director	4,815	3,900	3,900	-	1,194
Danielle Carter	Independent Director	129	-	-	-	-
Total		108,864	23,446	15,946	7,500	4,962

Source: Management.

Diluted securities on issue

APD has approximately 349.6 million fully diluted securities on issue, including:

- 329.5 million securities on issue

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- 20.1 million of securities issued to senior management under incentives plans (discussed above) which will vest in the ordinary course of the Transaction (reflecting 7.5 million shown in the table above, and 12.6 million issued to other management)

Total potential loans in relation to the incentive plans amount to \$17.4 million, including:

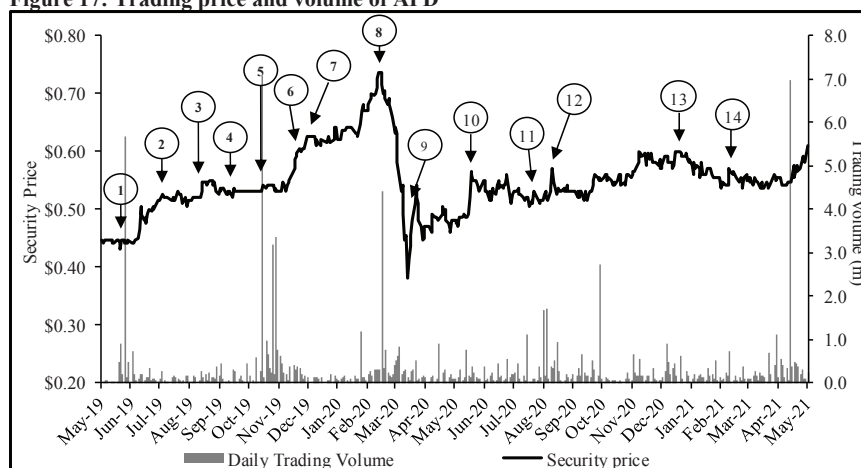
- loans outstanding of \$6 million (reflecting \$5.0 million shown in table above and \$1.0 million issued to other management)
- loans of \$11.4 million, which would be advanced upon vesting of unvested rights, which would vest as a result of the Transaction (refer to Section 8.16 of the Scheme Booklet for further details).

6.15 APD security price performance

6.15.1 Recent trading in APD security

The chart below illustrates APD's daily closing security price along with the daily volume of securities traded on the ASX over the period from 10 May 2019, one day prior to the announcement date of the Transaction (10 May 2021).

Figure 17: Trading price and volume of APD



Source: ASX announcements, Capital IQ, KPMG Corporate Finance Analysis.

Prior to announcement of the Transaction (from 10 May 2019 to 10 May 2021)

The APD security price generally trended up from May 2019 to early March 2020, reaching a high of \$0.74 in February 2020, following the announcement of its half-year 2020 results. In March 2020, global equity markets dropped significantly due to COVID-19, which had significant effects for the economy and capital markets. A-REIT stocks were significantly negatively impacted and APD's security price fell from a high of \$0.74 in February 2020 to a low of \$0.38 in March 2020.

Since this time, capital markets have recovered as the economic implications of COVID-19 are better understood and the economic stimulus and other measures implemented by Governments to counter the spread become more apparent. APD's security price partially recovered over the April 2020 to April 2021 period,



generally trading in the range of \$0.50 to \$0.55. The securities closed at \$0.61 on 10 May 2021, the day immediately prior to announcement of the Transaction.

ASX announcements made by APD and identified as being price sensitive during the period include:

- 1 17 May 2019: APD provided an update regarding the stapling proposal approved by the shareholders and announced that the Board was not expected to receive a class ruling from the Australian Taxation Office (ATO) and hence that condition to the Stapling Proposal would not be satisfied by 30 June 2019
- 2 24 July 2019: APD announced that its operating earnings for FY19 were expected to be slightly above the top end of the 2.40 to 2.90 cents per security guidance range
- 3 22 August 2019: APD released its FY19 results, with operating earnings of 2.94 cents per security exceeding the top end guidance range and a final dividend increased by 50%
- 4 24 September 2019: APD announced that it has received a draft class ruling from the ATO in relation to the stapling proposal
- 5 17 October 2019: notice of annual general meeting 2019, mainly covering the stapling proposal and a capital reduction
- 6 5 December 2019: APD announced that the stapling implementation timetable relating to the stapling proposal was approved by the ASX
- 7 16 December 2019: APD announced that it completed the stapling proposal
- 8 20 February 2020: APD released its HY20 results, with operating earnings up 33%, and a full year FY20 distribution guidance of 3.15 cents per security
- 9 30 March 2020: APD provided an update to the market as a result of the significant financial market volatility and disruption arising from COVID-19. The Board withdrew the FY20 distribution guidance and any forward-looking statements
- 10 15 May 2020: APD provided a market update and announced: (i) updated FUM at April 2020 following significant market movements (\$2.6 billion versus \$3.1 billion at December 2019); (ii) expense reduction measures as a result of COVID-19; and (iii) a full year FY20 distribution guidance of 3.15 cents per security
- 11 31 July 2020: APD announced the launch of APN Global REIT Income Fund
- 12 20 August 2020: APD released its FY20 results, with operating earnings up 12%, final distribution of 3.15 cents per security for FY20 and FY21 distribution guidance of 2.50 to 2.80 cents per security
- 13 15 December 2020: APD announced an increase in the FY21 distribution guidance from 2.50 to 2.80 cents per security to 3.00 to 3.20 cents
- 14 18 February 2021: APD released its HY21 results, with operating earnings up 5% and a full year FY21 distribution guidance upgraded to 3.20 to 3.50 cents per security from 3.00 to 3.20 cents per security.

Post announcement of the Transaction (from announcement date to 9 June 2021)

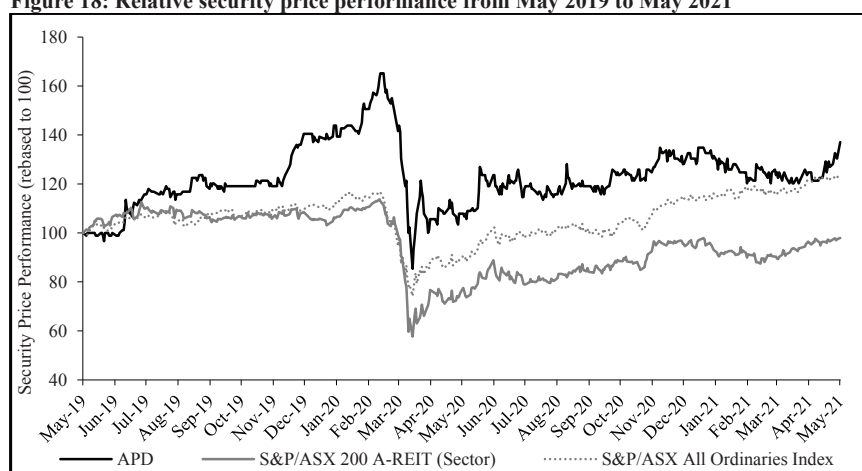
Post the announcement of the Transaction, APD's security price has traded at approximately \$0.90, slightly below the Total Cash Value of \$0.915.

There were no price sensitive ASX announcements post the announcement of the Transaction.

6.15.2 Relative security performance

The performance of APD securities (rebased to 100) over the 24 months to 10 May 2021, being the last trading day prior to the announcement date of the Transaction, relative to the S&P/ ASX 200 REIT Index and the S&P/ ASX All Ordinaries Index is illustrated on the following chart.

Figure 18: Relative security price performance from May 2019 to May 2021



Source: Capital IQ, KPMG Corporate Finance Analysis.

From May 2019 to February 2020, the S&P/ ASX 200 REIT Index performed broadly in line with the S&P/ ASX All Ordinaries Index. As from March 2020, however, with the onset of COVID-19, the S&P/ ASX 200 REIT Index performed below the S&P/ ASX All Ordinaries Index, largely driven by the office and retail A-REITs which were significantly impacted by the COVID-19 related restrictions and social distancing measures put in place by the state and federal governments.

Whilst APD's security price has broadly trended in line with the S&P/ ASX 200 REIT Index and the S&P/ ASX All Ordinaries Index over the selected period, APD's security price has generally outperformed these indices, mainly reflecting:

- the value of APD's co-investments in ADI and AQR. AQR has also outperformed the S&P/ ASX 200 REIT Index for most of the selected period and ADI has performed slightly below or in line with the S&P/ ASX 200 REIT Index over April 2019 to March 2020 and has outperformed it thereafter. Whilst most A-REITs have been negatively impacted by COVID-19, the severity of the impact has reflected each REIT's underlying exposure to certain parts of the Australian economy. ADI and AQR, which are more industrial and convenience retail focused, have been less severely impacted than A-REITs that have exposure to office and retail assets
- the implied value of APD's funds management platform. APD's generated management fees are mostly based on listed FUM, that are in part based on direct property valuations, which are less volatile and not subject to daily market movements.



6.15.3 Trading liquidity

An analysis of the volume of trading in APD's securities on the ASX, including the VWAP in the twelve-month period to 10 May 2021, being the last trading day prior to the announcement of the Transaction, is set out in the table below.

Table 21: Trading liquidity in APD securities pre-announcement

Period up to and including 10 May 2021	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
1 day	0.580	0.610	0.591	0.21	0.35	0.1%
1 week	0.570	0.610	0.585	0.73	1.2	0.4%
1 month	0.535	0.610	0.548	7.4	13.5	4.1%
3 months	0.530	0.610	0.548	11.9	21.8	6.6%
6 months	0.530	0.645	0.559	19.2	34.3	10.4%
12 months	0.465	0.645	0.546	33.6	61.6	18.7%

Source: IRESS, Capital IQ, KPMG Corporate Finance Analysis.

APD has a free float of only approximately 41.2%¹⁹ at 9 June 2021.

APD securities exhibited moderate liquidity over the 12-month period to 10 May 2021, with approximately 18.7% of total securities on issue traded, at an average volume of 245,430 securities per day, with a daily value of approximately \$0.13 million.

An analysis of the volume of trading in APD's securities on the ASX after the date of the announcement, from 11 May 2021 to 9 June 2021, is set out below.

Table 22: Trading liquidity in APD securities post-announcement

Period from 11 May 2021 to 9 June 2021 inclusive	Price (low) \$	Price (high) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of issued capital
22 days	0.895	0.910	0.900	60.8	67.5	21.7%

Source: Capital IQ, KPMG Corporate Finance Analysis.

¹⁹ Sourced from Capital IQ. Calculated as total securities outstanding minus securities excluded from float, which are comprised of securities held by employees/ individual insiders, strategic corporate investors, securities under employee stock ownership plans and other strategic investors

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8 Valuation of APD

8.1 Summary

We have assessed the value of APD to be in the range of \$285.7 million to \$323.7 million, which corresponds to a value of \$0.82 to \$0.93 per APD Security. Our range of assessed values reflects 100% ownership of APD and therefore incorporates a control premium.

We have assessed the value of APD on a sum-of-the-parts basis, as summarised below.

Table 23: APD valuation summary

\$ million unless otherwise stated	Section reference	Value range	
		Low	High
Funds management business	8.3	122.2	151.2
Co-investments			
ADI	8.4	93.8	99.8
AQR	8.5	43.4	45.9
APN Global	8.6	5.0	5.4
APN Asia	8.7	1.3	1.4
APN Regional Property	8.8	1.6	1.6
APN Development Fund No.2	8.8	1.2	1.2
Value of business assets		268.5	306.6
Other assets/(liabilities)	8.9	19.7	19.7
Net debt ¹	8.10	(2.6)	(2.6)
Value of 100% equity of APD		285.7	323.7
Fully diluted number of APD securities on issue (million) ²		349.6	349.6
Value per APD Security		\$0.82	\$0.93
Value per APD Security (mid-point)		\$0.87	

Source: KPMG Corporate Finance Analysis.

Note 1: Net debt at 30 June 2021 (estimate) excludes cash held in trust for underlying funds managed of \$0.2 million and \$5.8 million for AFS Licenses.

Note 2: Includes 20.1 million of securities issued to senior management under incentive plans which will vest as a result of the Transaction.

Note: Rounding differences may exist.

The valuation of each component of APD is set out in Sections 8.3 to 8.10 of this report.

Synergies available to acquirers, such as cost savings through merging operations, are normally a significant factor in justifying their ability to pay an enhanced premium over market prices. In this case, direct synergies available to a number of strategic buyers of APD would likely include all (or most) public company costs, corporate overheads and an ability to leverage APD's existing investment platform. Therefore, we have reflected the risk adjusted potential future benefit of these cost savings and synergies available to a pool of acquirers within the valuation (refer to Section 8.3).

Observations from transaction evidence indicate that takeover premiums generally range from 25% to 40%²⁰ for completed takeovers depending on the individual circumstances. In transactions where it was expected that the combined entity would be able to achieve significant synergies, the takeover premium was frequently estimated to be towards the high end of this range or greater.

²⁰ KPMG Corporate Finance Analysis based on Mergerstat data for Australian transactions completed between 2008 and 2018, comparing the Mergerstat 'unaffected' share price of the target company to the final offer price.

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Our valuation range of \$0.82 to \$0.93 per APD Security reflects a premium to the closing price of \$0.61 (on 10 May 2021, the day prior to the announcement of the Transaction) of between 33.9% to 51.8% and a premium to the one-month VWAP of \$0.548 of 49.0% to 68.9%. The implied premiums are relatively high, noting that:

- APD's co-investments in ADI and AQR represent approximately 45% to 48% of our assessed total equity value range. APD does not hold controlling interests in these investments and hence the values are on a minority basis. As such, we would not attribute any of the premium to the co-investments (although they result in "entrenched earnings" as noted below)
- APD's other co-investments, given their nature and relatively small size, should not attract any premium. The value of these other co-investments represents approximately 3% of our total equity value range
- given the high number of participants in the industry, it is reasonable to expect that APD's funds management platform would attract a takeover premium. The value of this business represents approximately 43% to 47% of our total equity value range. The implied premium associated with the funds management business likely reflects:
 - the size of APD's funds management platform, which has not yet reached an optimal size, can achieve significant margin expansion from scale. There are a number of potential acquirers of APD that have existing property funds management platforms in Australia (e.g. Dexus, Centuria Capital Group, Charter Hall Group) which could leverage APD's investment management platform and realise cost savings by combining platforms
 - APD's current pipeline of growth opportunities: APD has a history and track record of establishing and launching new funds; and of FUM growth within its listed REITs (ADI and AQR) via the completion of acquisitions
 - the nature of APD's portfolio, providing diversification into APD's listed REITs, real estate securities and direct property funds
 - APD's distribution channels and key relationships, including retail and high net worth capital investors
 - the nature of APD's funds management income, which generates a higher level of recurring income (approximately 98% of total net income) than its property funds manager peers and hence presents lower revenue risks
 - APD's higher degree of contractual "entrenchment" given its equity interest in the ADI and AQR funds
- our valuation range of \$0.82 to \$0.93 per APD Security reflects a smaller premium (of between 11.2% to 26.0%) to the pre-COVID-19 high price of \$0.735 (on 24 February 2020). APD's security price remains below pre-COVID-19 levels, reflecting the market's assessment of the changed risk environment for REITs
- the implied premiums likely reflect the high level of activity in the sector (e.g. recently announced merger between Centuria and Primewest), with many players looking to grow their funds management platform via acquisitions rather than organic growth and funds seeking to internalise their funds management functions.

Based on the abovementioned considerations, it is reasonable that the premiums implied by our valuation range are higher than the average premium paid in successful takeovers.

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8.2 Valuation methodology

8.2.1 Overview

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

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

Our valuation has had regard to the additional value resulting from estimated corporate cost savings that would generally be available to the majority purchasers, both financial and trade buyers. It does not include any other operational or financing synergies that may be only available to a very limited number of potential buyers.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- capitalisation of maintainable earnings (Capitalised Earnings)
- Discounted cash flow (DCF)
- estimated net proceeds from an orderly realisation of assets (Net Assets)
- rules of thumb, and
- current trading prices on the relevant securities exchange.

These methodologies are discussed in further detail in Appendix 4. Ultimately, the methodology adopted is dependent on the nature of the underlying business and the availability of suitably robust information. A secondary methodology is often adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as Capitalised Earnings and DCF are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich, Net Assets is typically adopted as there tends to be minimal goodwill, if any. For listed companies, the trading price typically provides an indication of the value of a minority interest where trading is liquid and no takeover speculation is evident.

8.2.2 Selection of methodology

KPMG Corporate Finance's selected valuation methodologies for the component parts of the business are described in the table below.

Table 24: APD component parts and methods for assessing value

Component	Comments	Valuation methods
Funds management business	- The business has demonstrated a history of recurring earnings and expected ongoing profitability - There is sufficient transaction evidence available to determine an appropriate multiple	- Capitalised earnings (i.e. EV/ EBIT) - DCF for the value of non-recurring performance fees - Cross-check to EV/ FUM multiples

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Component	Comments	Valuation methods
Co-investments (in listed funds)	- Securities are reasonably liquid - Securities have a sufficient market history for a market-price valuation - There are no significant restrictions on trading which would prevent an unbiased security price	- Listed market price - Cross-check of premium/discount to NTA and distribution yields against ASX listed A-REIT peers
Co-investments (in unlisted funds)	<i>Unlisted funds that invest in listed REITs</i> - The unit prices are calculated and published daily - The funds invest in listed REITs, and hence the underlying investments are relatively liquid - Units have a sufficient pricing history and there are no significant unexplained movements in the unit prices <i>Direct Funds</i> - Value related to the underlying property assets for which a current independent valuation is available	- Published unit price - Analysis of historical unit prices - Net assets, adjusted where necessary
Other assets and liabilities	- Remaining assets / liabilities on balance sheet not reflected in the above values	- Book value
Net debt/cash	- Sum of interest-bearing liabilities and cash	- Forecast net debt/ cash balance estimate at 30 June 2021

Source: KPMG Corporate Finance Analysis.

A discussion of the rationale for the selection of the valuation methodologies is set out below.

Capitalised Earnings methodology

A capitalisation earnings methodology is commonly applied when valuing businesses where a “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies where the business has a proven track record with expectations of future profitability and growth prospects. We have adopted a capitalisation of earnings methodology to determine the value of the funds management business as:

- the business has a demonstrated history of recurring earnings and expected ongoing profitability
- there are an adequate number of transactions involving companies with operations sufficiently comparable to APD’s funds management business from which a meaningful comparison can be undertaken and an appropriate multiple can be determined
- APD management has not provided sufficient cash flow forecasts to support a DCF as our primary methodology.

Maintainable Earnings

A capitalised earnings methodology can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBIT and net profit after tax (NPAT). EBITDA and EBIT multiples are commonly used in the context of control transactions where the capital structure is in the hands of the acquirer. Price earnings multiples are more commonly used in the context of sharemarket trading.

We have selected EBIT as an appropriate measure of earnings for the funds management business because earnings multiples based on EBIT are less sensitive to different financing structures and effective tax rates than multiples based on NPAT. This allows better comparison with the earnings multiples of other companies.

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Moreover, for these types of businesses, EBITDA and EBIT are similar due to low levels of depreciation and amortisation.

Discounted cash flow

Under a DCF, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream. The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the cash flow stream.

We have adopted a DCF to determine the value of the non-recurring performance fees of the funds management business as:

- they reflect a non-recurring income stream
- their crystallisation is based on future events which may not occur and as such their timing and quantum is uncertain
- variances between actual and forecast may be material.

Listed market price

Listed REITs

In determining the value of APD's co-investments in listed funds (ADI and AQR), we have had regard to the recent prices at which the units in the respective funds have traded. Market price can be applied when the securities of an entity are reasonably liquid and the market is well informed because the listed market price typically reflects all publicly available information about the entity's future risks and prospects and therefore provides the best indication as to value.

The quoted trading security price represents the price at which security holders could realise their portfolio investment and therefore we consider it is a reasonable approach to determine the value of APD's co-investments in listed funds.

In adopting market price, we have considered the following:

- the price at which the securities have historically traded, including the price relative to reported NTA
- the level of trading activity of the securities (i.e. volume traded in the market as a percentage of the total securities and the frequency of trades)
- the value of trading activity and number of days of trading activity
- the depth of the market for the units and volatility thereof
- the distribution yields upon which the securities have historically traded
- whether there are trading restrictions and potential information disclosure issues
- analyst research on the respective securities
- recent key developments and market announcements.

The listed market price of the securities is the most appropriate basis from which to measure the value of the co-investment securities, due to the following:

- there are no restrictions on the listed co-investments securities which could impact their liquidity to produce an unbiased security price



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- sufficient information has been disclosed in relation to their operations in financial reports and investor presentations
- the underlying companies have an obligation under the ASX Listing Rules to notify the ASX immediately of any information of which it becomes aware concerning their operations, which a reasonable person would expect to have a material effect on the price or value of the securities.

Where applicable, we have cross-checked the reasonableness of our assessed value of the co-investments in listed funds by comparing the key value metrics implied by our adopted valuation range (premium/ discount to NTA and distribution yields) against those exhibited by ASX listed A-REIT peers.

Funds that invest in listed REITs

In determining the value of APD's co-investments in funds invested in listed REITs (APN Global and APN Asia), we have had regard to the recent unit prices of the funds. The unit price of the funds is the most appropriate basis due to the following:

- unit prices are calculated and published daily by APD
- the funds invest in listed REITs, and hence the underlying investments are relatively liquid
- units have a sufficient pricing history and there are no significant unexplained movements in the unit prices
- units can be withdrawn from the fund on any given business day.

Net assets or cost based approach

A cost based or net asset methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). Such an approach does not capture growth potential or internally generated intangible value associated with the business.

Our valuation of the co-investments in direct property funds is based on the net assets approach. A-REITs, particularly those which passively hold portfolios of properties, are commonly valued with reference to net asset values. Property investments are reflected on the balance sheet at market value based on property valuations provided by property valuation specialists.

The net assets approach is appropriate for co-investments in direct property funds as the value lies in the underlying properties.

Industry rules of thumb

Industry rules of thumb are commonly used in certain industries. These are generally used as a cross-check of the result determined by a capitalised earnings valuation or by discounting cash flows. While they are only used as a cross-check in most cases, industry rules of thumb can be the primary basis on which buyers determine prices in some industries.

EV/FUM multiples

The ratio of value to funds under management is commonly used in the fund and asset management sector.

As a cross-check of the value determined for the funds management business using our primary methodology, we have calculated an implied FUM percentage.

Premium/ (discount) to NTA and distribution yields

The traded price of an A-REIT is influenced *inter alia* by its underlying reported NTA per security, which reflects the carrying value of its underlying properties which are generally based upon relatively recent independent property valuations. The premium / (discount) to NTA is commonly used in the A-REIT sector.

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A-REITs have traditionally been considered bond proxies that investors can switch between based on their risk appetite. Hence, the distribution yield is also an important metric in the A-REIT sector.

As a cross-check of the value determined for the co-investments in listed A-REITs, we have calculated the implied premium/ (discount) to NTA and the implied distribution yield.

8.2.3 Control premium

Consistent with the requirements of RG 111, we have assumed 100% ownership in valuing APD and, therefore, our valuation is inclusive of a control premium. More specifically:

- in valuing the funds management business, we have used comparable control transactions and, therefore, application of metrics based on these transactions results in a control value
- we have specifically considered a control premium when assessing our capitalised earnings for the funds management business. Multiples applied in a capitalised earnings methodology are generally based on data from listed companies and recent transactions in a comparable industry, with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued

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

- our valuation includes the additional value resulting from estimated corporate cost savings that would generally be available to the majority of purchasers
- APD's co-investments all relate to non-controlling interests and hence their market value was derived based on a minority basis.



8.3 Funds management business

Methodology

As discussed in Section 8.2.2, we have assessed the market value of the funds management business with reference to a capitalisation of earnings method and have considered:

- the level of earnings that the existing operations could reasonably be expected to generate (i.e. maintainable EBIT)
- cost savings that could be realised by a number of market participants
- the level of earnings that APD could reasonably be expected to generate from its growth opportunities.

We have capitalised a selected level of EBIT at a multiple that we consider reflects the risk and growth of the business.

Earnings from existing operations

Considerations

In order to assess the appropriate level of EBIT from existing operations, we have:

- had regard to the historical performance of the funds management business and have discussed the financial performance, operating environment and prospects with management
- considered the historical results for HY21 as the most appropriate basis for our analysis of earnings from existing operations. We have presented annualised HY21 results, net of normalisation adjustments, in order to illustrate the potential full year of earnings. This is appropriate as the funds management business does not exhibit any particular seasonality. In providing distributable earnings guidance for FY21, management has not distinguished between distributable earnings derived from its co-investments and those derived from the funds management business
- removed non-recurring performance and transaction fees from our estimate of earnings and have valued these separately by adopting a DCF methodology
- we have allocated 100% of APD's corporate overheads to the funds management business as APD does not incur significant costs in relation to the management of its co-investments
- we had regard to Management's internal budgets for FY21 and FY22, noting that these forecast earnings have not been publicly disclosed.



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Historical earnings

A summary of the earnings generated by the funds management business for FY19, FY20, HY21 and HY21 annualised, is set out below:

Table 25: Funds management business maintainable earnings

\$000 unless otherwise stated	FY19	FY20	HY21 (normalised)	HY21 (annualised) ¹
Closing FUM (\$m)	2,930	2,665	2,926	
Funds management fees	15,163	15,364	7,277	
Performance and transaction fees	322	180	213	
Asset, leasing and project management fees	268	744	544	
Registry and other income	2,290	2,200	1,007	
Other income	52	92	282	
Funds management income	18,095	18,580	9,323	
Less: rental income from investment properties	(645)	-	-	
Less: performance and transaction fees	(322)	(180)	(213)	
Recurring funds management income	17,128	18,400	9,110	
Funds management expenses	(9,717)	(10,891)	(3,929)	
Funds management gross profit	7,411	7,509	5,181	
Corporate overheads	(4,192)	(2,315)	(913)	
EBITDA	3,219	5,194	4,268	
Depreciation and amortisation	(141)	(704)	(337)	
Reported EBIT	3,078	4,490	3,931	
Normalisation adjustments				
Less: COVID-19 Government support income	-	-	(771)	
Normalised EBIT	3,078	4,490	3,160	6,320
Metrics				
Funds management (FM) gross margin (%)	43.3%	40.8%	56.9%	
FM normalised EBIT margin (%)	18.0%	24.4%	34.7%	
Recurring FM income as a % of FUM (%)	0.58%	0.69%	0.31%	
Normalised EBIT \$ per FUM (%)	0.11%	0.17%	0.22% ¹	
Overheads per recurring FM income (%)	24.5%	12.6%	10.0%	

Source: FY19 annual report to HY21 financial report, KPMG Corporate Finance Analysis.

Note 1: Calculated on a 12-month pro-rata basis.

Earnings from existing operations

We have selected an EBIT range of \$7.0 million to \$7.5 million for the existing operations, based on:

- the HY21 maintainable EBIT of \$3.9 million
- the annualised HY21 maintainable EBIT of \$6.3 million
- Management's forecast EBIT for FY21 and FY22
- total FUM of \$3.2 billion at 30 April 2021.

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Cost savings

We have considered the potential cost savings available to a pool of potential acquirers. APD has built its investment management business capabilities over several years, and its current platform is expected to be capable of managing significantly greater levels of FUM without incurring significant additional costs. An acquirer with its own existing funds management platform in Australia could likely save substantial costs. There are a number of potential acquirers of APD that have existing property funds management platforms in Australia which could leverage APD's investment management platform and realise cost savings by combining platforms.

APD's corporate overhead costs include costs associated with maintaining a head office, three boards of directors (see Section 6.4), an executive management team and finance and administration activities as well as listed entity costs. It is likely that a significant portion of these overheads could be rationalised by an acquirer of 100% of the business with an existing property funds management platform in Australia.

There are risks associated with fully realising synergistic benefits, the timing thereof and implementation costs (e.g. redundancy). Therefore, it is common practice not to ascribe the full value of estimated synergies in the valuation as, in a competitive bidding situation, a potential acquirer may not pay away the full benefit of synergies due to the risks associated with fully realising such benefits. Accordingly, we have reflected the risk adjusted potential future benefit of these cost savings and synergies available to a typical acquirer when quantifying these benefits.

Based upon discussions with Management and our analysis, we have estimated cost savings of between \$1.5 million and \$2.0 million.

Growth opportunities

As detailed in Section 6.9, APD continues to progress a range of FUM growth opportunities, including new funds in the childcare and real estate debt sectors, as well as a number of other opportunities at various stages of progression across its funds management portfolio.

Valuation of growth opportunities is not straightforward. However, for funds management platforms, it is not unusual to attribute value to the pipeline of growth opportunities given the scalable nature of these businesses and hence to assume that FUM from conversion of these opportunities will generate sustainable earnings.

We have attributed value to APD's funds management opportunities, based on the following considerations:

- APD's history and track record of establishing and launching new funds and its ability to partner with major developers to access high quality assets
- APD's track record of FUM growth for its listed REITs (ADI and AQR) through successful completion of incremental acquisitions
- some of the targeted sectors (e.g. Childcare) exhibit strong growth drivers (i.e. Government support, sector resilience during COVID-19, long lease terms available, etc.)
- APD has staff dedicated to targeting and progressing these new growth opportunities. APD's funds management platform has the structure and resources in place to manage significantly greater levels of FUM without incurring significant additional costs. This is reflected by its relatively low historical EBIT margin, of approximately 34.7% (refer to Table 25 above), relative to Australian based property funds management platforms, which generally generate EBIT margins between 40% and 60%.

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Furthermore, we note that the HY21 EBIT is not fully reflective of future EBIT expectations given the strategy to grow FUM and convert growth opportunities in the pipeline. Consequently, to account for the expected growth of FUM in underlying earnings, we have ascribed value to these growth opportunities.

We have held discussions with management in order to understand the current stage of these growth opportunities, the expected timing of the earnings profile and their likelihood of crystallising.

We have estimated earnings attributable to growth opportunities based on: (i) a FUM estimate of the pipeline of opportunities, (ii) an EBIT dollar per FUM of 0.30% (which caters for economies of scale from incremental growth); and (ii) assigned an overall probability factor based on our judgement of the risk assessment of each of the opportunities in the pipeline. On this basis, we have adopted EBIT of \$2.5 to \$3.0 million for the growth opportunities.

Based on the above, we have assessed EBIT for the funds management business to be in the range of \$11.0 million to \$12.5 million, as follows:

Table 26: Funds management EBIT for valuation purposes

Funds management business - EBIT for valuation purposes		
\$m unless otherwise stated	Low	High
Existing operations		
Selected EBIT	7.0	7.5
Add back: estimated costs savings	1.5	2.0
EBIT including cost savings	8.5	9.5
Selected EBIT for current FUM business	8.5	9.5
Growth opportunities		
Selected EBIT for growth opportunities	2.5	3.0
Total EBIT for valuation purposes	11.0	12.5
<i>Implied EBIT margin % from current FUM business¹</i>	<i>46.7%</i>	<i>52.1%</i>

Note 1: Calculated as the EBIT from current FUM divided by the recurring funds management income.

Source: HY21 Financial Report, KPMG Corporate Finance Analysis.

We note that the implied EBIT margin, prior to catering for any growth opportunities but after the inclusion of cost savings, ranges from 46.7% to 52.1%, which is consistent with EBIT margins of Australian based property funds management platforms of between 40% and 60%.

Capitalisation multiples

The multiple applied in a capitalised earnings methodology should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business' operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, consideration is generally given to:

- the multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors, including the extent to which a premium for control is appropriate
- the multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

In selecting comparable trading companies and transactions, we have analysed Australian companies that provide funds management services to investors in the property industry and focused our attention on companies with operations that are strongly weighted towards funds management activities.

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Trading evidence

Property funds managers

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

Table 27: Listed property funds management platforms

Company	Enterprise value ¹ (\$m)	FUM ² (\$m)	EBIT margin (FY)	EV/FUM (%)	EV/EBIT (FY)
Goodman Group	38,770	52,900	69.5%	73.3%	22.0x
Dexus	15,959	15,600	65.1%	102.3%	16.5x
Charter Hall Group	7,118	46,400	63.3%	15.3%	15.4x
Cromwell Property Group	6,980	11,600	53.8%	60.2%	27.2x
Centuria Capital Group	2,513	10,200	57.3%	24.6%	27.0x
Primewest Group Limited	543	4,900	58.1%	11.1%	28.6x
Mean			61.2%	47.8%	22.8x
Median			60.7%	42.4%	24.5x

Source: S&P Capital IQ, Company financial statements and announcements, KPMG Corporate Finance Analysis.

Note 1: Enterprise value is market capitalisation plus net debt, preferred equity and minority interest less equity accounted investments (using latest reported balance sheet information or market value where possible).

Market capitalisation is calculated using closing prices on 7 June 2021, except for Centuria Capital Group and Primewest Group. Market capitalisation is calculated using closing prices as at 18 April 2021, one day prior to the announcement of Primewest to enter a bid implementation deed in relation to a merger with Centuria.

Note 2: Latest reported FUM based on latest financial reports or company announcements.

Refer to Appendix 5 for further detail regarding comparable companies.

None of the above mentioned entities are purely focused on the provision of funds management services and generally derive a significant proportion of earnings from investment in real estate, either directly or indirectly. Earnings multiples that apply purely to funds management operations are typically lower than those related to the ownership of property. Therefore, where the companies own property, the earnings multiples are higher than we consider should be applied to APD's funds management business.

In addition, it is difficult to derive meaningful valuation metrics for the individual funds management platforms as the calculations are dependent upon, *inter alia*, the entity's level of financial disclosure and allocation of corporate expenses to its business segments. It also requires assumptions in respect of the value attributable to other assets held. Accordingly, we do not consider these entities relevant for the purposes of determining meaningful EBIT multiples.

We have therefore expanded our analysis to include broader funds management companies, as discussed below.

Broader funds managers

The earnings, and therefore multiples implied by the trading in securities of broader funds managers, are less affected by co-investments than the property entities. As such, we consider broader funds managers provide a more directly comparable reference point to value APD's funds management platform. However, these multiples form a starting point and appropriate adjustments need to be made to recognise differences between the markets of equities funds management and property funds management, including factors such as associated fee structures and returns.

Outlined in the following table are the implied EBIT multiples and relevant metrics of the comparable listed broader funds managers.

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Table 28: Broader listed funds managers

Company	Enterprise value (\$m)	FUM (\$m)	EBIT margin (FY)	EV /FUM	EV /EBIT (FY)	EV /EBIT (FY+1)	EBIT /FUM (%) (FY)
Magellan Financial	8,769	110,427	82.3%	7.9%	15.3x	15.8x	0.5%
Platinum Investment	2,670	24,507	80.5%	10.9%	11.2x	12.0x	1.0%
IOOF Holdings	1,898	203,900	12.7%	0.9%	12.8x	9.8x	0.1%
Pendal Group	2,487	101,700	40.6%	2.4%	13.1x	12.6x	0.2%
Perpetual	2,305	95,300	27.9%	2.4%	16.8x	14.0x	0.1%
EQT Holdings	469	128,000	33.1%	0.4%	14.8x	13.4x	0.0%
Navigator Global	303	27,198	31.4%	1.1%	8.0x	8.6x	0.1%
Pacific Current Group	260	123,261	50.1%	0.2%	7.2x	7.2x	0.0%
Fiducian Group	201	9,600	27.3%	2.1%	13.3x	na	0.2%
Mean		91,544	42.9%	3.2%	12.5x	11.7x	0.2%
Median		101,700	33.1%	2.1%	13.1x	12.3x	0.2%

Source: S&P Capital IQ, Company financial statements and announcements, KPMG Corporate Finance Analysis.
Market capitalisation is calculated using closing prices on 7 June 2021.

Refer to Appendix 5 for further detail regarding comparable companies.

The EBIT multiples implied through observable share market trading provides some evidence of an appropriate EBIT multiple to apply to our valuation. However, these multiples typically do not reflect the market value for control of a company as they are based on the value of a minority interest.

We note the following in respect of the comparable listed companies summarised above:

- the average and median forward EBIT multiples for the broader funds managers are 11.7x and 12.3x, respectively, on a minority basis
- multiples for IOOF Holdings Ltd are at the low end of the range, reflecting its exposure to the financial planning sector, a sector which has been adversely impacted by the Royal Commission on Misconduct in the Banking, Superannuation and Financial Services Industry
- multiples for Navigator Global are at the low end of the range, mainly reflecting its smaller FUM
- most of the comparable listed companies are larger than APD in terms of FUM and earnings. The average and median FUM of the comparable companies is \$91.5 billion and \$101.7 billion, respectively, while APD manages approximately \$3.2 billion of assets as at 30 April 2021. All else being equal, larger businesses tend to have higher earnings multiples than smaller businesses as large funds managers often generate higher incremental earnings from FUM growth than smaller participants.

In addition, the majority of the comparable companies derive management fees from a variety of asset classes, including property, equities, fixed income, cash and other diversified assets across a number of different funds. APD only manages property related funds and accordingly is less diversified than the comparables. We would expect larger, more diversified companies to attract higher earnings multiples than would be applied to APD's funds management business given the lower risk to earnings.

Transaction evidence

Since 2016, there have been a considerable number of transactions involving property funds management platforms primarily relating to Australian assets. We have considered both acquisitions of majority interests and internalisations of property management platforms. Such transactions provide evidence of prices that acquirers are willing to pay for property funds management platforms.

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A list of these transactions which we identified and for which valuation metrics can be derived based upon publicly available information is summarised below.

Table 29: Selected comparable transactions

Date ¹	Target	EV ² (\$m)	FUM ³ (\$m)	EV / FUM (%)	EV / EBIT times	EBIT / FUM (%)
Announced transactions						
Apr 21 ¹	Primewest Group	428	5,000	8.6%	14.5	0.6%
Completed transactions						
Mar 21	Precinct Properties NZ	197	3,207	6.1%	14.7	0.4%
Oct 20	Investec Australia Property Fund	40	1,385	2.9%	9.1	0.3%
Jun 20	GoFARM Asset Management	10	275	3.6%	n/a	n/a
Jun 20	Augusta Capital	66	1,697	3.9%	10.4	0.4%
Sep 19	GARDA Capital Group	31	405	7.7%	9.1	0.8%
May 19	Heathley	32	620	5.1%	10.0	0.5%
Sep 18	Propertylink Group	39	1,028	3.8%	9.6	0.4%
Aug 18	Folkestone	56	1,609	3.5%	8.3	0.4%
Aug 18	Aventus Property Group	146	2,000	7.3%	9.0	0.8%
May 17	Armada Funds Management	31	800	3.8%	6.5	0.6%
Nov 16	360 Capital Investment Management	92	1,397	6.6%	10.1	0.7%
Mean		67	1,311	4.9%	9.7	0.5%
Median		40	1,385	3.9%	9.4	0.5%
Low		10	275	2.9%	6.5	0.3%
High		197	3,207	7.7%	14.7	0.8%

Source: S&P Capital IQ, Company announcements, Financial statements, IER Reports, Analyst reports and KPMG Corporate Finance analysis.

na: not available

Note 1: Date of announcement.

Note 2: EV denotes Enterprise value. Implied value of an acquisition of 100% if transaction does not already involve an acquisition of 100%.

Note 3: FUM denotes funds under management.

In respect of the comparable transactions, we note that:

- the evidence reflects transactions involving the acquisition of 100% of a business (rather than a minority interest), and the valuation metrics therefore implicitly incorporate a premium for control
- all else equal, higher multiples are typically paid for transactions involving larger funds management platforms due to, *inter alia*, economies of scale, diversification benefits, depth of management, etc. Higher multiples are generally paid for platforms that have a lower degree of risk as a result of, for example, relatively diversified FUM, or a high degree of contractual and/ or practical "entrenchment" (e.g. a specified long-dated contractual term in the management agreement, and/or by the manager having an equity interest in the fund they manage which is sufficient to deter, or block a takeover offer for the fund, or a resolution to remove the manager)
- the transaction multiples are calculated based on the most recent actual earnings (historical multiples) or expected future earnings for the current year at the date of the transaction (forecast multiples). The multiples are therefore not necessarily reflective of the multiple which would be derived from an assessment of each target entity's "maintainable" earnings
- a number of entities in the Australian property sector provide funds management services to both listed and unlisted REITs (e.g. Centuria, Charter Hall, Primewest and Elanor). There is potential for these entities to

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realise synergy benefits from merger and acquisition activity and for such benefits to be shared between the purchaser with the vendor. As such, these benefits are implicitly reflected in the valuation metrics

- EBIT multiples have generally increased over time. For example, transactions that were announced since August 2018 and for which meaningful EBIT multiples can be derived, generally occurred in line with or above the mean and median of 9.7 times and 9.4 times, respectively.

With respect to the most recent transactions (from November 2016 onwards), we consider the 360 Capital, Aventus, Folkestone, Propertylink, Augusta, Investec and Precinct Properties NZ transactions to be the most comparable to APD's funds management business. These companies reflect funds management platforms with relatively comparable FUM (\$1.0 to \$3.2 billion), which had not yet reached an optimal size (i.e. capable of managing significantly greater levels of FUM without incurring significant additional costs), and hence presented opportunities for an acquirer with its own existing funds management platform to realise synergy benefits.

These most comparable transactions are discussed below:

- in November 2016, Centuria Capital Group (Centuria) acquired the 360 Capital Group (360 Capital) real estate platform, which at the time, managed \$1.4 billion in assets, mainly focused on the industrial (66%) and office (27%) sectors. The acquisition occurred at a relatively high implied FUM percentage (6.6%) with an implied EBIT multiple of 10.1 times, likely reflecting the funds' historical performance as well as being a strategic fit for Centuria which anticipated substantial synergies as a result of the acquisition
- in August 2018, Aventus Retail Property Fund (Aventus) announced a proposal to acquire Aventus Property Group (APG) and thereby internalise its management functions, previously externally managed by APG. At the time of the announcement, APG had FUM of approximately \$2.0 billion, being the carrying value of Aventus' property portfolio, which mainly consisted of 20 large format retail centres. The internalisation transaction occurred at a high implied FUM percentage (7.3%) with an implied EBIT multiple of 9.0 times, likely reflecting the relatively significant FUM and the fact that the fund was growth oriented and actively involved in the development of new assets. Aventus had acquired as well as developed large format retail centres in Australia and its FUM had grown significantly since listing in 2015 as a result of asset acquisitions, revaluations and developments
- in August 2018, Charter Hall acquired 100% of Folkestone Limited (Folkestone), an ASX listed real estate funds manager and developer. At the time of the acquisition, Folkestone provided funds management services to a range of listed and unlisted real estate funds, with total FUM of \$1.6 billion and was engaged in a number of residential and commercial development projects throughout Australia and also had co-investments in a number of the funds that it manages. The acquisition occurred at an implied FUM percentage of 3.5% with an implied EBIT multiple of 8.3 times, likely reflecting the strategic fit for Charter Hall, with Folkestone's funds complementing Charter Hall's existing platform and providing opportunities for Charter Hall to either grow these funds, or create new fund initiatives. The acquisition also provided Charter Hall with exposure to the social infrastructure and early learning sectors, where Folkestone already had exposure
- in November 2018, ESR Real Estate (Australia) Pty Ltd (ESR) acquired Propertylink Group (Propertylink), an internally managed Australian real estate group specialised in Australian industrial and office investments. At the time of acquisition, Propertylink's funds management platform serviced its owned property portfolio as well as a number of external unlisted funds with exposure to industrial and office real estate, with total FUM of \$1.0 billion. Propertylink also co-invested alongside the investors in the funds it managed. The acquisition occurred at a FUM percentage of 3.8% with an implied EBIT multiple of 9.6 times, likely reflecting the anticipated synergies as a result of the acquisition and Propertylink's exposure to high growth industrial sectors (e.g. warehouse facilities, supported by the rise of the e-commerce)

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- in June 2020, Centuria acquired 100% of Augusta Capital Limited (Augusta). Augusta is a NZ based diverse manager of unlisted single and multi-asset property funds. At the time of the acquisition, it actively managed 65 properties across the office, retail, industrial and tourism sectors on behalf of more than 3,900 retail and wholesale investors and had \$1.7 billion of FUM. We note that the implied historical EBIT multiple of 10.4 times is calculated based on Augusta's EBIT from funds management operations in FY19 given that it incurred a loss in FY20 as a result of COVID-19. The implied FUM percentage (3.9%) and implied EBIT multiple of 10.4 times are likely reflective of the strategic fit for Centuria, with the acquisition providing Centuria with growth opportunities via geographical and sector exposure (New Zealand office, retail, industrial and tourism sectors) and access to Augusta's distribution channels (i.e. wholesale investors)
- in October 2020, Investec Property Limited (IPL), as responsible entity of Investec Australia Property Fund (IAP) entered an implementation deed with Investec Group in relation to internalisation of the fund's management rights. The acquisition occurred at an implied FUM percentage of 2.9% with an implied EBIT multiple of 9.1 times, likely reflecting the anticipated synergies (cost savings) as a result of the internalisation and the opportunity for IAP to expand its platform by sourcing mandates to manage property assets held by third party (i.e. not limited to current mandates held with Investec)
- in March 2021, Precinct Properties New Zealand Limited reached an agreement with its manager, AMP Haumi Management Limited, to internalise management. Consideration of \$197 million was paid for the termination of the Management Services Agreement. The acquisition occurred at a relatively high implied FUM percentage of 6.1% with an implied EBIT multiple of 14.7 times, likely reflecting the relatively significant FUM and the potential cost savings as a result of the internalisation
- in April 2021, Centuria entered into a bid implementation deed for a friendly merger with Primewest Group (Primewest). Primewest is a Perth based funds manager with approximately \$5.0 billion in FUM, diversified across office, retail, industrial and agriculture. The portfolio is predominantly weighted to Western Australia (54%), with 72% of FUM held in unlisted single-asset funds, 14% in multi-asset funds, 8% in unlisted multi-asset open ended funds and 6% in listed funds. The majority of Primewest's capital is sourced from unlisted wholesale investors (80%), and from unlisted institutional investors (14%) and listed market investors (6%). Primewest derives approximately 65% of its fee income from asset management fees, 20% from property services and 15% from transaction fees. Primewest investors will receive \$1.51 per Primewest security. Assuming tangible assets will be acquired for book value, the consideration reflects an implied EBIT multiple of 14.5 times and a FUM percentage of 8.6%. The high FUM percentage (8.6%) and EBIT multiple (14.5 times) are likely reflective of the strategic fit for Centuria with expected cost synergies of \$5.3m per annum and economies of scale materialising from FUM growth, driven by:
 - an increase in scale and relevance with a combined FUM of \$15.5 million
 - increased geographical exposure to WA
 - increased sector exposure: retail across the large format retail and daily needs shopping subsectors, and the agriculture sector
 - new investor exposure: access to Primewest's wholesale capital relationships.

This transaction follows Centuria's recent acquisition of Augusta in June 2020 (described above) and reflects the high level of activity in the sector, with many players looking to grow their funds management platform via acquisitions rather than organic growth and funds seeking to internalise their funds management functions.

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Transaction evidence summary

In summary:

- recent transactions demonstrate implied EBIT multiples in the range of 6.5 to 14.7 times (excluding the non-completed but announced Primewest transaction), with an average and median multiple of 9.7 times and 9.4 times, respectively
- the most comparable transactions discussed above indicate an implied EBIT multiple in the range of 8.3 to 14.7 times.

Selected multiples

We have adopted an EBIT multiple range of 11.0 times to 12.0 times based on the following considerations:

- the EBIT multiples implied by the transactions that are most comparable to APD's funds management business, which range between 8.3 and 14.7 times, with a mean and median of 10.2 times and 9.6 times, respectively
- the average and median forward trading EBIT multiples of broader funds managers, which are between 11.7 times and 12.3 times on a minority basis, noting that APD's funds management platform is smaller and less diversified than the comparable listed companies. As a result, APD's funds management platform should trade at a lower EBIT multiple than the comparable listed companies after they are adjusted for a premium for control
- the nature of APD's funds management income, which generates a higher level of recurring income (circa 98% of total net income) compared to its property funds manager peers and hence presents lower revenue risks
- APD's higher degree of contractual "entrenchment" given its equity interest in the ADI and AQR funds
- the size of APD's funds management platform, which has not yet reached an optimal size and hence can achieve significant cost savings through scale
- our maintainable earnings already includes a level of risk adjusted cost synergies (cost savings). However, the comparable transaction multiples would likely also include a level of revenue synergies, which is appropriately captured in the earnings multiple
- our maintainable earnings already includes risk adjusted earnings attributable to growth opportunities for the funds management business based on an assessment of APD's opportunity pipeline. Therefore, growth opportunities should not also be catered for in the earnings multiple.

Non-recurring performance fees

As discussed in Section 6.7, APD is entitled to receive performance fees for APN Nowra and APN Development Fund No.2, based on the realised internal rate of return (IRR) of the fund, if the fund exceeds a pre-defined hurdle rate.

Performance fees are based on assumptions regarding future events which are yet to occur. Such events may not occur as expected and variances between actual and forecast may be material. Details of the performance fees are commercially sensitive.

We have adopted a DCF methodology based on probability weighting of the after tax, future non-recurring performance fees having regard to Management's estimated performance fees, the time remaining until maturity, and risks associated with the future performance of the funds. We have discounted the probability



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weighed post tax nominal performance fees at a post-tax discount rate of 8.0% to 9.0%, which has been determined using the capital asset pricing model.

We have adopted a value of non-recurring performance fees of \$1.19 million to \$1.20 million.

Valuation summary

Based on the above analysis, we have determined the enterprise value of the funds management business, on a control basis, to be in the range of \$122.2 million to \$151.2 million as follows:

Table 30: Funds management business valuation summary

\$m unless otherwise stated	Low	High
Total EBIT for valuation purposes	11.0	12.5
EBIT multiple on a control basis	11.0x	12.0x
EV of funds management business	121.0	150.0
Performance fees	1.19	1.20
EV of funds management business, incl. performance fees	122.2	151.2
Metrics		
FUM at 30 April 2021	3,208	3,208
Implied EV/FUM (%)	3.8%	4.7%

Source: HY21 Financial Report, Management information, KPMG Corporate Finance Analysis.

Valuation cross-checks

A key driver of the EV/FUM metric is the earnings generated from the underlying FUM. Management businesses that generate a higher level of sustainable earnings per FUM (i.e. generate higher earnings per dollar of asset managed) generally attract a higher FUM multiple.

As a cross check to our valuation of the funds management business, we have considered the ratio of enterprise value to FUM. Our valuation range implies a percentage of FUM of between 3.8% and 4.7%, as set out in the table above. The most comparable transactions discussed above implied an enterprise value to FUM percentage ranging from 2.9% to 7.3%, with an average and median of 4.9% and 3.9%, respectively (see Table 29).

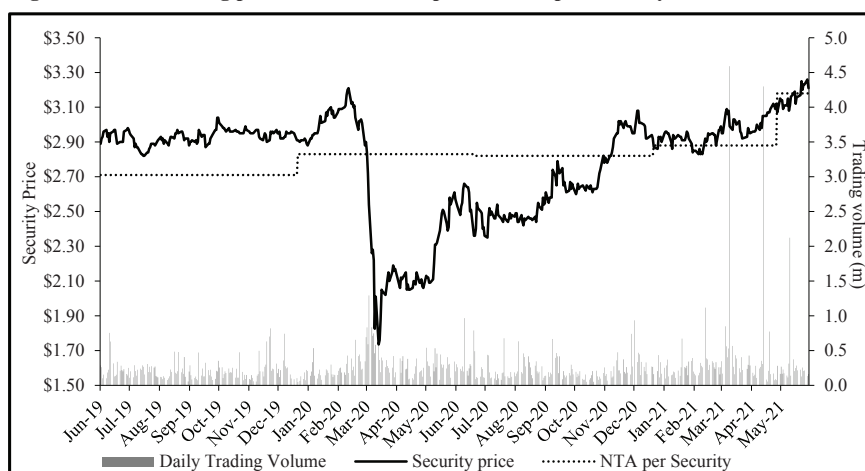
The enterprise value to FUM percentage range implied by our valuation falls within the range of those implied by the comparable transactions, and is broadly consistent with the average and median, and therefore appears reasonable.

8.4 Investment in ADI

Recent trading in ADI securities

The chart below illustrates ADI's daily closing security price, the daily volume of securities traded on the ASX along with the reported NTA per security over the period from 11 June 2019 to 8 June 2021.

Figure 19: ADI trading price, volume and reported NTA per security



Source: Capital IQ, KPMG Corporate Finance Analysis.

The ADI security price generally trended up from June 2019 to early March 2020, reaching a high of \$3.21 in February 2020, following the announcement of its half-year 2020 results. Over this period, ADI securities traded at a small premium to NTA.

In March 2020, global equity markets dropped significantly as a result of COVID-19. A-REIT stocks were significantly impacted and ADI's security price fell to a low of \$1.74 in March 2020.

Since March 2020, ADI's security price recovered to \$3.08 in December 2020 and continued to trade in the \$2.90 to \$3.00 range from December 2020 to April 2021. The recovery in ADI's security price was mainly driven by the following:

- a global recovery in capital markets
- a strong FY20 performance: ADI's portfolio remained resilient notwithstanding COVID-19, with rent collections of 98% and net property income up by 15.1%
- the acquisition of a new asset in Rowville (VIC) for \$16 million, announced in November 2020
- the acquisition of four new assets (three properties at Adelaide Airport and a property in Staplyton, Queensland) for a combined value of \$92.1 million, announced in December 2020
- a relatively strong HY21 performance with rent collections of 99% and net property income up by 1.8%
- the acquisition of a new asset in Corio (VIC) for \$36 million, announced in March 2021.

ADI securities traded at a substantial discount to NTA over the March 2020 to September 2020 period, reflecting the difficult market conditions faced by all REITs as a result of the pandemic. From November 2020,

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ADI generally traded at a premium to its reported NTA, mainly reflecting the recovery in the ADI security price.

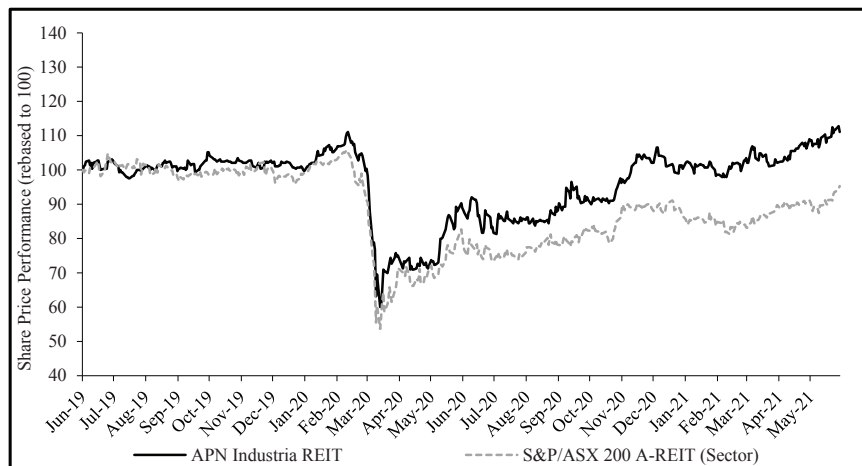
On 7 May 2021, ADI announced draft unaudited valuations for 30 June 2021. Valuations were undertaken for 17 of the 23 industrial properties, with values increasing by \$64.3 million or 11.9%. The updated valuations resulted in a 10.3% increase in ADI's NTA from \$2.88 per security to \$3.18 per security.

ADI securities closed at \$3.21 on 8 June 2021, trading at a slight premium (0.9%) to ADI's updated NTA of \$3.18 per security and in line with its pre-COVID-19 high of \$3.21.

Relative performance

The performance of ADI securities (rebased to 100) over the 24 months to June 2021, relative to the S&P/ ASX 200 REIT Index is illustrated on the following chart.

Figure 20: ADI, relative security performance



Source: Capital IQ, KPMG Corporate Finance Analysis.

From June 2019 to March 2020, ADI has performed slightly below or in line with the S&P/ ASX 200 REIT Index. However, from March 2020 onwards, ADI has generally performed above the S&P/ ASX 200 REIT Index, reflecting the nature of ADI's portfolio which is more industrial focused and less exposed to office and retail sectors, which were significantly impacted by COVID-19.

Whilst the S&P/ ASX 200 REIT Index has recovered since March 2020, it is still below pre-pandemic levels. ADI's security price has broadly recovered to pre-pandemic levels.

ADI's outperformance relative to the S&P/ ASX 200 REIT Index was supported by:

- relatively strong earnings despite COVID-19, with strong occupancy rates (95% to 99%) and a sustainable level of income security with contractual annual rental growth of 3.0% on average
- the quality of ADI's tenants: ADI's leases are highly concentrated towards investment grade or ASX listed tenants, listed multinationals and Government organisations
- the strong level of activity over the last twelve months, with the completion of several acquisitions (discussed above)

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- ADI's relatively low level of gearing, allowing them to capitalise on accretive acquisitions or undertake capital management initiatives.

Liquidity, VWAP and NTA per security

Liquidity of ADI securities, the movement of the security price and the NTA per security for the twelve months to 8 June 2021 are summarised below.

Table 31: ADI security price history

ADI - Security price history								
Period	Average NTA per security ¹ (\$)	Security price		VWAP (\$)	VWAP/ NTA ² (%)	Securities traded (000)	Liquidity (%)	Annualised liquidity ³ (%)
		Low (\$)	High (\$)					
1 week	3.18	3.20	3.27	3.22	1.3%	970	0.4%	22.7%
1 month	3.18	3.08	3.27	3.15	(1.0%)	6,467	3.0%	34.4%
3 months	2.99	2.90	3.27	3.05	2.2%	26,703	12.3%	48.9%
6 months	2.93	2.80	3.27	3.00	2.5%	43,578	20.2%	41.8%
12 months	2.87	2.33	3.27	2.85	(0.9%)	72,315	34.8%	34.8%

Source: Capital IQ, KPMG Corporate Finance Analysis.

Note 1: Average reported NTA per security over the period.

Note 2: Premium/ (discount) of the VWAP during the period relative to the average reported NTA.

Note 3: Annualised liquidity is calculated as the period liquidity divided by the number of trading days in the period, multiplied by the number of trading days in the year.

Liquidity

Over the 12 months to 8 June 2021, ADI securities were actively traded for 254 trading days, at an average volume of 284,706 securities per day and a daily value of approximately \$0.81 million.

We note that there was a relatively high level of volume trading over the last 6 months, with annualised liquidity between 40% and 50%. ADI's free float was 84.5% at 8 June 2021²¹. This level of liquidity indicates that there is an active market for ADI securities and sufficient support for share price as a primary valuation method.

In addition, there are no restrictions on trading in ADI which prevent sufficient trading (on a day-to-day basis) to produce an unbiased security price.

Recent security price and VWAP

We have considered ADI's security price and VWAP over a number of trading periods. However, given the significant decrease in ADI's security price and the difficult market conditions faced by all REITs as a result of COVID-19, we have had greater regard to ADI's security price and VWAP over the last 3 months. This period is more liquid and reflective of the current trading performance of the security.

Over the last 3 months, ADI's security price has ranged between a low of \$2.90 to a high of \$3.27, with a VWAP of \$3.05. The high of \$3.27 corresponds to the high price on 7 June 2021.

²¹ Sourced from Capital IQ. Calculated as total securities outstanding minus securities excluded from float, which are comprised of securities held by employees/ individual insiders, strategic corporate investors, securities under employee stock ownership plans and other strategic investors.



VWAP relative to underlying NTA per security

ADI securities have generally traded in a relatively tight band around its reported NTA per security, based upon VWAP. ADI's NTA has increased from \$2.83 per security to \$3.18 per security over the last twelve months, driven by asset revaluations and asset acquisitions.

Since November 2020, ADI has generally traded at a small premium to NTA. The closing price of ADI on 8 June 2021 of \$3.21 is broadly in line with ADI's updated NTA of \$3.18 per security.

Given that ADI's most recent NTA reflects up to date property valuations, it is not unreasonable for ADI to be trading in line with its updated NTA.

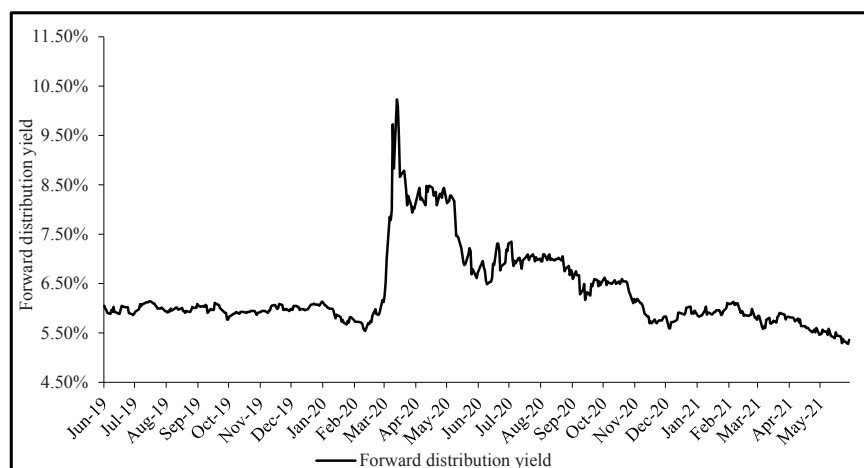
Distribution yields

A-REITs have traditionally been considered bond proxies that investors can switch between based on their risk appetite. Falling Australian Government Bond yields have resulted in investors paying a premium to purchase higher yielding asset classes such as property and infrastructure. The relative attractiveness of the A-REIT sector, particularly industrial and office focused REITs as opposed to retail focussed, has resulted in a large number of A-REITs raising substantial amounts of capital for specific acquisitions, as well as for future growth opportunities.

As detailed in Appendix 3, the RBA reduced the cash rate to 0.10% in early November 2020 from 0.75% at the start of 2020. For the A-REITs sectors, the lower interest rates mean a lower cost of debt which is expected to drive an increase in earnings making the sector look more attractive than stocks and bonds.

ADI's one year forward distributions yield is set out in the figure below.

Figure 21: ADI's forward distribution yield



Source: Capital IQ, KPMG Corporate Finance Analysis.

From June 2019 to February 2020, ADI was generally trading on a forward distribution yield of 5.40% to 6.30%, before reaching a high of 10.20% in March 2020 as a result of COVID-19.

From April 2020 to December 2020, ADI's distribution yield decreased to 5.60% in mid-December 2020, mainly reflecting the post COVID-19 recovery in ADI's security price.

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Post December 2020, ADI has generally traded on a forward distribution yield of between 5.30% to 6.10%.

In February 2021, ADI indicated that distributions for FY21 are expected to be \$0.17 per security. Based upon the more recent forward trading range (5.40% to 6.10%), the implied price range for ADI is between \$2.84 to \$3.26 per security.

Analyst coverage

ADI is actively researched and analysed by share brokerage firms. At 8 June 2021, current forecasts for ADI's (twelve month) target security price are summarised in the table below.

Table 32: ADI's target security prices

ADI - analyst target security prices		
Broker	Date of report	\$ per security
Broker one	10 May 2021	3.12
Broker two	30 March 2021	2.66
Broker three	17 February 2021	3.43
Broker four	17 February 2021	2.85

Source: Capital IQ, KPMG Corporate Finance Analysis.

ADI's target price per security ranges from \$2.66 to \$3.43. Most of these target prices were published prior to ADI's announced updated NTA (in early May 2021).

Recent key developments and market announcements

As detailed above, on 7 May 2021, ADI announced updated draft valuations for 17 of the 23 industrial properties, with values increasing by 11.9% or \$64.3 million, and NTA increasing by 10.3% to \$3.18 per security. These valuations would likely have an impact on ADI's security price.

Valuation summary

Based on the considerations discussed above, we have adopted a value of between \$3.10 and \$3.30 per ADI security. Our assessed value of APD's interest in ADI is in the range of \$93.8 million to \$99.8 million as follows:

Table 33: ADI, summary of value of APD's interest

\$m unless otherwise stated	Value range	
	Low	High
Assessed value per security (\$)	3.10	3.30
Number of securities held by APD (million)	30.3	30.3
Assessed value of interest held in ADI	93.8	99.8
Metrics		
Latest quoted security price (\$), 8 June 2021	3.21	3.21
Implied premium/ discount to latest security price (%)	(3.4%)	2.8%
3 months VWAP	3.05	3.05
Implied premium/ (discount) to 3 months VWAP	1.5%	8.1%
NTA per security (\$)	3.18	3.18
Implied premium/ (discount) to NTA per security (%)	(2.5%)	3.8%
Distribution guidance for FY21 (\$)	0.17	0.17
Implied distribution yield (%)	5.58%	5.24%

Source: Capital IQ, KPMG Corporate Finance Analysis.

Our mid-point selected value per ADI security of \$3.20 implies:

- a slight discount of 0.3% compared to the last quoted security price of \$3.21 on 8 June 2021, noting that the ADI was trading at a one-year high and in line with its pre-COVID high of \$3.21

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- a 6.6% premium to the six-month VWAP, a 4.8% premium to the three-month VWAP and a 1.7% premium to the one-month VWAP
- a slight premium of 0.6% to the latest reported NTA per security of \$3.18, which reflects ADI's latest property valuation updates, and
- a distribution yield of 5.41%, which is relatively consistent with the more recent forward trading range of 5.30% to 6.10%.

Valuation cross-checks

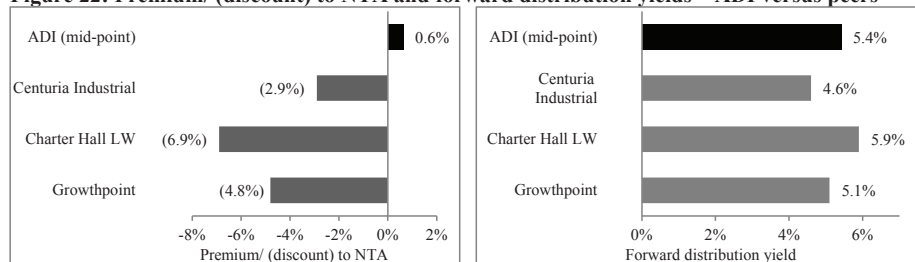
We have cross-checked our assessment of the value of ADI securities by comparing the key value metrics implied by our valuation (premium/ discount to NTA and distribution yields) against those exhibited by ADI's ASX listed A-REITs peers.

There are no A-REITs that are directly comparable to ADI. However, we have set out in Appendix 5 the trading evidence relating to a number of A-REITs that are primarily focused upon investing in industrial property assets. We consider Centuria Industrial REIT (Centuria Industrial), Growthpoint Properties Australia (Growthpoint) and Charter Hall Long Wale REIT (Charter Hall LW) to be the most relevant as they are all externally managed REITs with exposure to the industrial sector and exhibit relatively long WALEs (6 to 14 years).

We note that whilst Goodman Group (Goodman) has a strong exposure to the industrial sector, it currently trades at a significant premium to its underlying NTA (240.5%) reflecting the small size of its property investment portfolio relative to the size of its third party industrial property and development management activities. The company is also positioned as a global industrial sector leader with extensive international operations, making it less comparable to ADI.

We have compared the metrics implied by our assessed valuation mid-point to those of the above mentioned A-REITs.

Figure 22: Premium/ (discount) to NTA and forward distribution yields – ADI versus peers



Source: Capital IQ, KPMG Corporate Finance Analysis.

Premium/ (discount to NTA)

The A-REITs set out above all currently trade at relatively small discounts to their last reported NTA. Whilst the NTA premiums/ (discounts) implied by our valuation range (discount of 2.5% and premium of 3.8% to NTA) are towards the high end of the observed range, we note that:

- Centuria Industrial's NTA was updated at 1 June 2021 from \$3.33 per unit to \$3.85 following the completion of external valuations on all of its 61 properties resulting in a portfolio valuation increase of \$285 million or 11%. Centuria Industrial's relatively low discount likely reflects: (i) its exposure to the office sector as diversified REITs typically exhibit higher premiums relative to industrial and office REITs;



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and (ii) its longer WALE of approximately 9.8 years, reflecting relatively lower risks and the long term nature of the cash flows generated by its portfolio

- Charter Hall LW's NTA was updated at 7 June 2021 from \$4.65 per unit to \$5.24 following the completion of external valuations on 458 properties (92% of total portfolio) resulting in a portfolio valuation increase of \$373.4 million or 7.6%. Charter Hall LW is also more diversified than APD with exposure to office and retail and has a longer WALE of approximately 14.1 years
- Centuria Industrial's NTA was increased at 7 June 2021 from \$4.65 per unit to \$5.24 following the completion of external valuations on 45 of its 55 properties (77% of total portfolio) resulting in a portfolio valuation increase of \$251 million or 7.7%.

Given that ADI's NTA reflects recent property revaluations, we consider that it is reasonable that its quoted price is relatively consistent with its underlying NTA.

Distribution yields

The distribution yields implied by our valuation range (5.24% to 5.58%) are relatively consistent with the forecast yields of ADI's ASX listed A-REITs peers.

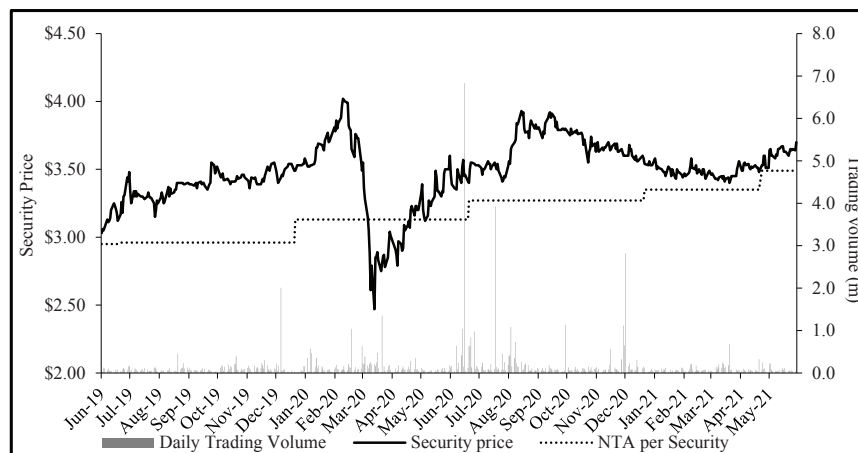
Having regard to the above considerations, we consider our adopted valuation range for ADI, on a per security basis, to be reasonable.

8.5 Investment in AQR

Recent trading in AQR security

The chart below illustrates AQR's daily closing security price, the daily volume of securities traded on the ASX along with the reported NTA per security over the period from 11 June 2019 to 8 June 2021.

Figure 23: AQR trading price, volume and reported NTA per security



Source: Capital IQ, KPMG Corporate Finance Analysis.

The AQR security price generally trended up from June 2019 to early March 2020, reaching a high of \$4.01 in February 2020, following the announcement of its half-year 2020 results.

In March 2020, AQR's security price fell to a low of \$2.47 as a result of COVID-19. Since this time, AQR's security price has recovered significantly from \$2.47 in March 2020 to \$3.93 in August 2020. The recovery in AQR's security price was mainly driven by the following:

- a global recovery in capital markets
- the acquisition of two assets (Coles Express Gatton, QLD and Coles Express Inverell, NSW) for \$10.2 million, announced in May 2020
- Chevron's acquisition of Puma Energy Australia, which is the tenant of 46 sites in the AQR portfolio (58% of total rental income), announced in July 2020. Following the acquisition, independent valuations of all 46 Puma Energy sites were carried out, resulting in an increase across the portfolio of \$19.6 million (5.0%)
- the acquisition of Brisbane Airport Link Service Centre (QLD) for \$10.5 million, announced in July 2020
- the acquisition of three new assets (Coles Express Acadia Ridge - QLD, Coles Express Moorooka - QLD and Coles Express Cairns - QLD) for \$27.5 million, announced in August 2020
- a strong FY20 performance: AQR's portfolio remained resilient notwithstanding COVID-19, with all sites remaining open and trading, 100% occupancy and net property income up by 6.9%.

Post August 2020, despite a relatively strong HY21 performance (rental property income up by 24.4%) and further acquisitions (Bellevue for \$6.1 million in August 2020, Chevron Balcatta for \$6.7 million in October



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2020 and 12 new service stations and convenience retail properties for \$75.3 million in December 2020), the AQR security price generally trended down, trading closer to its underlying NTA.

The AQR security price increased in May 2021, trading at \$3.67 on 24 May 2021. On 3 May 2021, AQR announced successful renewal of 10-year leases across all 13 sites leased to EG Group (13.2% of total rental income). Following the lease renewal, updated independent valuations of these sites resulted in an increase in value of \$17.7million (25.9%) and an increase in NTA from \$3.35 to \$3.49 per security.

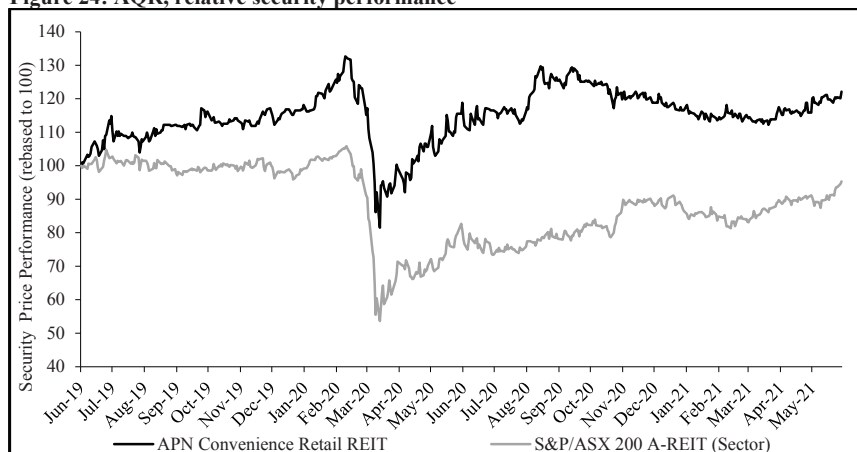
AQR traded at a premium to its underlying NTA per security over the period, with the exception of the short time between mid-March 2020 and mid-April 2020, where it traded at a discount to NTA as a result of COVID-19. AQR trade at a relatively substantial premium to NTA pre-COVID-19 and over the August 2020 to December 2020 period.

AQR securities closed at \$3.70 on 8 June 2021, reflecting a 7.7% discount to AQR's pre-COVID-19 high of \$4.01 and a relatively small premium (6.0%) to its updated NTA of \$3.49 per security.

Relative performance

The performance of AQR securities (rebased to 100) over the 24 months to June 2021, relative to the S&P/ ASX 200 REIT Index is illustrated on the following chart.

Figure 24: AQR, relative security performance



Source: Capital IQ, KPMG Corporate Finance Analysis.

From June 2019 to July 2020, AQR performed in line with the S&P/ ASX 200 REIT Index. However, since then, AQR has performed above the S&P/ ASX 200 REIT Index, reflecting the nature of AQR's portfolio of convenience retail which is less exposed to office and retail assets.

As discussed above, AQR's outperformance relative to the S&P/ ASX 200 REIT Index was further supported by:

- relatively strong earnings despite of COVID-19 with strong occupancy rates (100%) and a sustainable level of income security with contractual annual rental growth of 2.9% on average. Petrol stations have been able to maintain profitability during 2020 despite a significant decrease in petrol volumes

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- the quality of AQR's tenants: AQR's leases are concentrated towards investment grade or ASX listed tenants, with Chevron accounting for approximately 53% of total rental income and a portfolio average WALE of 10.6 years
- the strong level of activity over the last twelve months, with the completion of several acquisitions (discussed above)
- AQR's relatively low level of gearing, allowing the REIT to capitalise on accretive acquisitions or undertake capital management initiatives.

Liquidity, VWAP and NTA per security

Liquidity of AQR securities, the movement of the security price and the NTA per security for the twelve months to 8 June 2021 are summarised below.

Table 34: AQR security price history

Period	Average NTA per security (\$)	AQR - security price history				Securities traded (000)	Liquidity (%)	Annualised liquidity (%)
		Security price		VWAP (S)	VWAP/ NTA (%)			
		Low (S)	High (S)					
1 week	3.49	3.60	3.70	3.65	4.5%	228	0.2%	9.3%
1 month	3.49	3.51	3.70	3.62	3.8%	1,579	1.3%	14.7%
3 months	3.41	3.37	3.70	3.51	2.8%	6,058	4.9%	19.3%
6 months	3.37	3.37	3.70	3.53	4.8%	15,527	12.7%	25.7%
12 months	3.31	3.26	3.97	3.53	6.7%	47,776	41.7%	41.7%

Source: Capital IQ, KPMG Corporate Finance Analysis.

Liquidity

Over the year analysed, AQR securities were actively traded for 252 trading days, at an average volume of 189,586 securities per day, with a daily value of approximately \$0.67 million. The traded volume of securities over the 12 months to 8 June 2021 was approximately 41.7% of the total number of securities on issue. AQR's free float was 88.6% at 8 June 2021²².

This level of liquidity indicates that there is an active market for AQR securities and supports share price as a primary valuation method. In addition, there are no restrictions on trading in AQR which prevent sufficient trading (on a day-to-day basis) to produce an unbiased security price.

Recent share price and VWAP

We have considered AQR's security price and VWAP over a number of trading periods. However, given the significant decrease in AQR's security price as a result of COVID-19, the higher liquidity over the last six months and AQR's price's trading range over August to April 2021, we have had greater regard to AQR's security price and VWAP over the last 3 months.

Over the last 3 months, AQR's security price has ranged between a low of \$3.37 to a high of \$3.70, with a VWAP of \$3.51. The high of \$3.70 corresponds to the high price on 8 June 2021.

²² Sourced from Capital IQ. Calculated as total securities outstanding minus securities excluded from float, which are comprised of securities held by employees/ individual insiders, strategic corporate investors, securities under employee stock ownership plans and other strategic investors.



VWAP relative to underlying NTA per security

AQR securities have traded at a premium to its reported NTA per security over the last year, based upon VWAP. AQR's NTA has increased from \$3.13 per security to \$3.49 per security over the last twelve months, driven by asset revaluations and asset acquisitions.

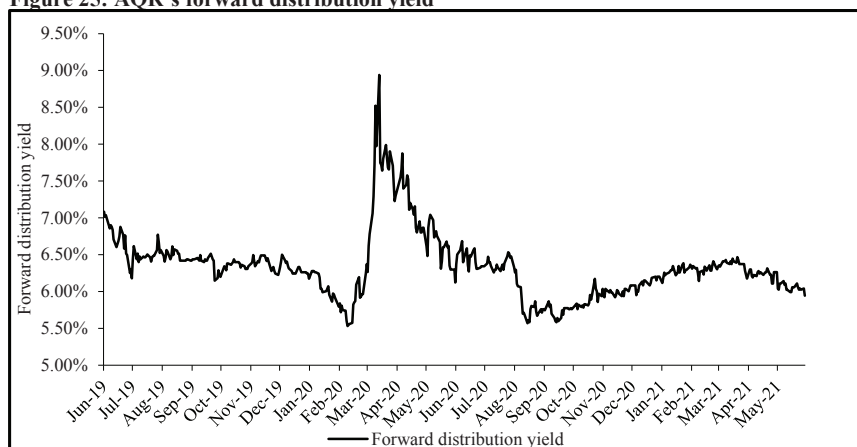
The closing price of AQR on 8 June 2021 of \$3.70 represents a relatively small premium (6.0%) to its updated NTA of \$3.49 per security.

Given that AQR's most recent NTA reflects up to date property valuations, it is not unreasonable for AQR to be trading broadly in line with its updated NTA.

Distribution yields

AQR's one year forward distributions yield upon is set out in the figure below.

Figure 25: AQR's forward distribution yield



Source: Capital IQ, KPMG Corporate Finance Analysis.

From June 2019 to February 2020, AQR's forward distribution yield decreased from 7.20% to 5.60%, reflecting the increase in AQR's security price over that period, before reaching a high of 8.90% in March 2020 as a result of COVID-19.

From April 2020 to August 2020, AQR's distribution yield decreased significantly to 5.60% in August 2020, mainly reflecting the post COVID-19 recovery in AQR's security price.

Post September 2020, AQR has generally traded on a forward distribution yield of between 5.60% to 6.40%, with the increase in distribution yield reflecting the decrease in AQR's share price over that period.

In February 2021, AQR indicated that distributions for FY21 are expected to be \$0.219 per security. Based upon the more recent forward trading range (5.60% to 6.40%), the implied price range for AQR is between \$3.42 to \$3.91 per security.



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Analyst coverage

AQR is actively researched and analysed by share brokerage firms. As at 8 June 2021, current forecasts for AQR's (twelve month) target security price are summarised in the table below.

Table 35: AQR's target security prices

AQR - analyst target security prices		
Broker	Date of report	\$ per security
Broker one	13 May 2021	4.10
Broker two	12 May 2021	4.11
Broker three	11 May 2021	3.91
Broker four	16 February 2021	4.20

Source: Capital IQ, KPMG Corporate Finance Analysis.

AQR's target price per security ranges from \$3.91 to \$4.20.

Recent key developments and market announcements

As detailed above, on 3 May 2021, AQR announced updated draft valuations, with values increasing by 25.9% or \$17.7 million, and NTA increasing by 4.2% to \$3.49 per security. These valuations are likely to have an impact on AQR's security price.

On 21 May 2021, AQR announced the acquisition of a portfolio of six properties in South Australia for a total consideration of \$35.5 million, which represents an average purchase yield of 5.90%. The properties have new 20-year leases with fixed annual rent reviews of 2.75%. The acquisition will be funded by debt.

Valuation summary

Based on the considerations discussed above, we have adopted a value of between \$3.50 and \$3.70 per AQR security. Our assessed value of APD's interest in AQR is in the range of \$43.4 million to \$45.9 million as follows:

Table 36: AQR, summary of value of APD's interest

\$m unless otherwise stated	Value range	
	Low	High
Assessed value per security (\$)	3.50	3.70
Number of securities held by APD (million)	12.4	12.4
Assessed value of interest held in AQR	43.4	45.9
Metrics		
Latest quoted security price (\$), 8 June 2021	3.70	3.70
Implied premium/ discount to latest security price (%)	(5.4%)	0.0%
3-months VWAP	3.51	3.51
Implied premium/ (discount) to 3-months VWAP	(0.2%)	5.5%
NTA per security (\$)	3.49	3.49
Implied premium/ (discount) to NTA per security (%)	0.3%	6.0%
Distribution guidance for FY21 (\$)	0.22	0.22
Implied distribution yield (%)	6.26%	5.92%

Source: Capital IQ, KPMG Corporate Finance Analysis.

Our mid-point selected value per AQR security of \$3.60 implies:

- a slight discount of 2.7% compared to the last quoted security price of \$3.70 on 8 June 2021, noting that the AQR was trading at its six-month high of \$3.70
- a 1.9% premium to the six-month VWAP, a 2.7% premium to the three-month VWAP and a 0.7% discount to the one-month VWAP

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- a premium of 3.2% to the latest reported NTA per security of \$3.49, which reflects AQR's latest property valuation updates
- and a distribution yield of 6.1%, which is consistent with the more recent forward trading range of 5.60% to 6.40%.

Valuation cross-checks

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

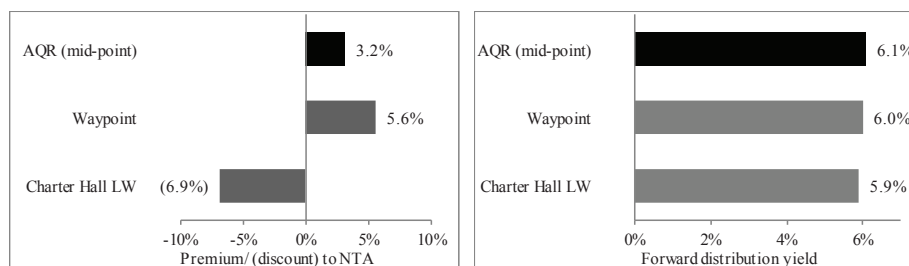
There are no A-REITs that are directly comparable to AQR. However, we have set out in Appendix 5 the trading evidence relating to a number of A-REITs that are primarily focused upon investing in convenience retail properties (i.e. petrol stations) or that exhibit long WALEs profiles. We consider Waypoint REIT Limited (Waypoint) and Charter Hall Long Wale REIT (Charter Hall LW) to be the most relevant peers.

Waypoint is the most relevant comparable company as it is an A-REIT that invests in petrol service stations and convenience retail properties across Australia. Waypoint's sites are leased to a range of fuel operators as well as non-fuel tenants, however most of its sites are leased to Viva Energy Australia. Waypoint's portfolio has an average WALE of 10.8 years.

Charter Hall LW is not focused solely on the retail convenience sector, however it is an externally managed A-REIT that invests in a diversified portfolio of real estate assets (office, industrial & logistics, retail and the social sectors) that are leased to corporate and government tenants on long-term leases. Charter Hall LW's portfolio has an average WALE of 14.1 years.

We have compared the metrics implied by our assessed mid-point valuation to those of the above-mentioned A-REITs.

Figure 26: Premium/ (discount) to NTA and forward distribution yields – AQR versus peers



Source: Capital IQ, KPMG Corporate Finance Analysis.

Premium/ (discount to NTA)

Waypoint trades at a relatively small premium (5.6%) to its last reported NTA whilst Charter Hall LW trades at a relatively small discount (6.9%) to its last reported NTA. The premiums implied by our valuation range (0.3% to 6.0%) are relatively consistent with AQR's ASX listed A-REIT peers.

Given that AQR's NTA reflects recent property revaluations, we consider that it is reasonable that its implied quoted price is relatively consistent with its underlying NTA per security.



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Distribution yields

The distribution yields implied by our valuation range (5.92% to 6.26%) are relatively consistent with the forecast yields on which AQR's ASX listed A-REITs peers currently trade.

Having regard to the above considerations, we consider our adopted valuation range for AQR, on a per security basis, to be reasonable.

8.6 Investment in APN Global

The APN Global fund commenced during 2020 and primarily invests in REITs listed on security exchanges around the world, with a focus on the North American and the Singaporean property markets.

The unit price for any business day is calculated based on the Net Asset Value (NAV) of the fund two days earlier (to allow for the settlement of international trades) divided by the total number of units on issue, adjusted to take into account transaction costs.

As per APD's unit pricing policy, the NAV refers to the Gross Asset Value (GAV) of the underlying funds less its liabilities, including the liability for any distribution declared, but not yet paid, to investors on the day on which the NAV is determined. The fund's GAV refers to the sum of the value of all its assets plus any amount, which should be included as an asset for the purpose of making a fair and reasonable determination for the value, having regard to AASB principles.

The APN Global unit price is calculated daily by APD's pricing team and published on its website.

Liquidity

APN Global units trade based on the following:

- units can be withdrawn from the fund on any given business day, with the withdrawal price equal to the NAV per unit, less any transaction costs
- the fund invests in listed REITs, and hence the underlying investments held by the fund are relatively liquid
- a relatively low bid/ask spread of approximately 0.30%, meaning that a single trade is unlikely to significantly affect the unit price of the fund
- there are not significant unexplained movements in the unit price.

Consequently, we consider there would be sufficient ability for APD to liquidate their investment in APN Global without a significant discount to the NAV and therefore have adopted the published NAV as the primary valuation method.

Recent unit price

The chart below illustrates the closing unit price of APN Global from September (launch date) 2020 to 7 June 2021.

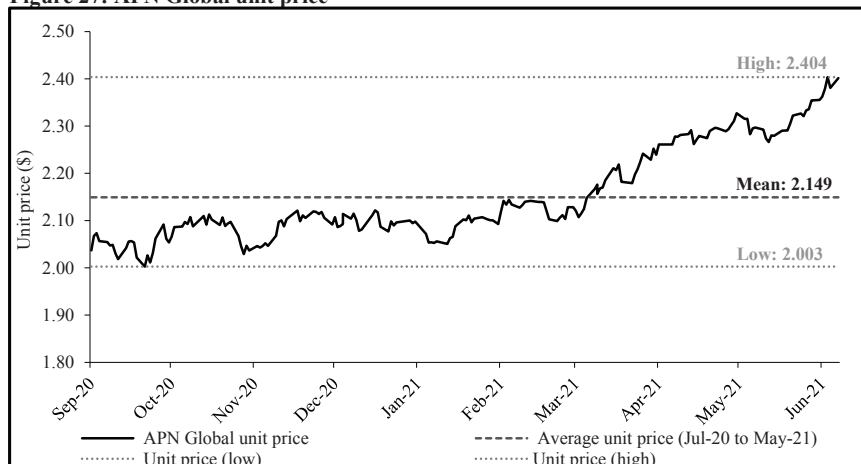
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Figure 27: APN Global unit price



Source: APD website, KPMG Corporate Finance Analysis.

Over the last 8 months, the APN Global unit price ranged between a low of \$2.003 to a high of \$2.404, with an average unit price of \$2.149.

From September 2020 to early March 2021, the APN Global unit price remained within a relatively tight band, between \$2.00 to \$2.11. From early March 2021 to early June 2021, the APN Global unit price has generally trended up from \$2.168 to \$2.404, with the high of \$2.404 corresponding to the unit price reached on 3 June 2021.

Distribution yield

The fund currently exhibits a distribution yield of 3.73%²³, which is relatively consistent with those observed for A-REITs, albeit towards the low-end of the range. Refer to Appendix 5 for further details regarding distribution yields of A-REITs.

Recent key developments

As detailed in Section 6.5.3, APD recently committed \$10 million into the fund.

Valuation summary

Based on the considerations discussed above, we have adopted a value of between \$2.136 and \$2.327 per APN Global unit. Our assessed value of APD's interest in the APN Global is in the range of \$4.96 million to \$5.40 million as follows:

²³ Yield as at 7 June 2021, as published on APD's website

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Table 37: APN Global, summary of value of APD's interest

Sm unless otherwise stated	Value range	
	Low	High
Assessed value per unit (\$)	2.136	2.327
Number of units held by APD (million)	2.32	2.32
Assessed value of interest held in APN Global	4.96	5.40
Metrics		
Latest unit price (\$), 7 June 2021	2.402	2.402
Implied premium/ discount to latest security price (%)	(11.1%)	(3.1%)

Source: APD website, KPMG Corporate Finance Analysis.

8.7 Investment in APN Asia

The APN Asia fund commenced in 2011 and primarily invests in listed Asian REITs, with exposure to key Asian commercial property markets: Singapore, Japan and Hong Kong.

The unit price of the fund is calculated consistently with the methodology adopted for APN Global (refer to section 8.6 for further details).

The APN Asia unit price is calculated daily by APD's pricing team and published on its website.

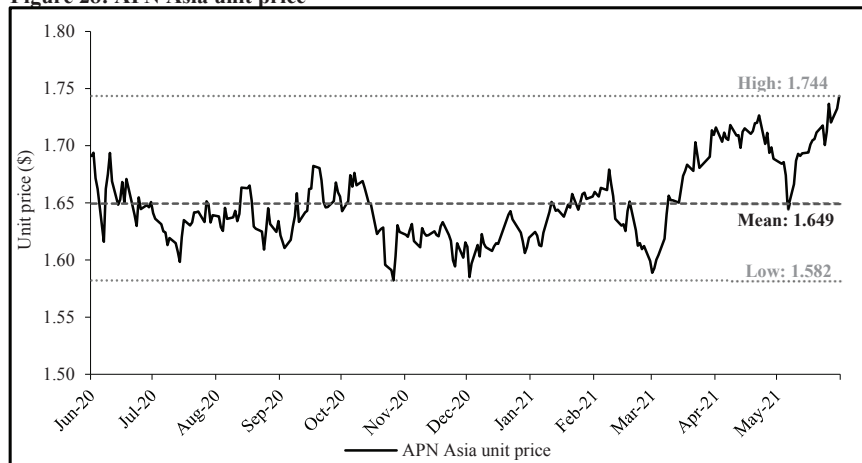
Liquidity

APN Asia units have similar characteristics to those of APN Global described above. Consequently, we consider there would be sufficient ability for APD to liquidate their investment in APN Asia without a significant discount to the NAV and therefore to adopt the NAV as the primary valuation method.

Recent unit price

The chart below illustrates the closing unit price of APN Asia from 9 June 2020 to 8 June 2021.

Figure 28: APN Asia unit price



Source: APD website, KPMG Corporate Finance Analysis.

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Over the last 12 months, the APN Asia unit price ranged between a low of \$1.582 to a high of \$1.744, with an average unit price of \$1.649. The unit price has generally trended upwards from March 2021, with the high of \$1.744 corresponding to the unit price reached on 8 June 2021.

Distribution yield

The fund currently exhibits a distribution yield of 5.7%²⁴, which is relatively consistent with the range observed for diversified A-REITs. Refer to Appendix 5 for further details regarding distribution yields of A-REITs.

Valuation summary

Based on the considerations discussed above, we have adopted a value of between \$1.646 and \$1.727 per APN Asia unit. Our assessed value of APD's interest in the APN Asia is in the range of \$1.32 million to \$1.39 million as follows:

Table 38: APN Asia, summary of value of APD's interest

\$m unless otherwise stated	Value range	
	Low	High
Assessed value per unit (\$)	1.646	1.727
Number of units held by APD (million)	0.802	0.802
Assessed value of interest held in APN Asia	1.32	1.39
Metrics		
Latest unit price (\$)	1.744	1.744
Implied premium/ discount to latest security price (%)	(5.58%)	(0.98%)

Source: APD website, KPMG Corporate Finance Analysis.

8.8 Investment in APN Regional Property Fund and APN Development Fund No.2

APN Regional Property Fund

The APN Regional fund owns two commercial office buildings in Newcastle, New South Wales. The buildings are leased to Government and national corporate tenants.

APN Development Fund No.2

The APN DF No.2 owns a site located in Port Melbourne. The site was zoned light industrial but now falls within the new Capital City zone. The original development plan for the site was completed and settled and a new planning permit for a mixed-use development is currently being progressed.

Valuation approach

We have assessed the value of APD's investment in the APN Regional and APN Development Fund No.2 funds based on the latest NAV of the funds. The NAV is based on book values for each of the funds' properties which reflect the latest valuations undertaken by independent valuers (most recently as at 31 December 2020).

We have relied on these independent valuations and did not undertake our own valuations of the properties. We do not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. On this basis, we have used the net assets based valuation approach.

Given the relatively short time that has elapsed since 31 December 2020 and the nature of the assets being valued (i.e. commercial buildings and property development for which there is no liquid market), there is

²⁴ Yield as at 8 June 2021, as published on APD's website

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unlikely to have been any material change in the market value of these assets since they were valued. This has been confirmed based on our enquiries of APD management.

Valuation summary

APN Regional

Table 39: APN Regional, summary of value of APD's interest

\$m unless otherwise stated	Selected value
Assessed value per unit (\$)	1.882
Number of units held by APD (million)	0.84
Assessed value of interest held in APN Regional	1.6

Source: APD website and KPMG Corporate Finance Analysis.

As summarised in the table above, KPMG Corporate Finance has assessed the value of APD's interest in APN Regional to be \$1.6 million.

APN DF No2

Table 40: APN DF No2, summary of value of APD's interest

\$m unless otherwise stated	Selected value
Assessed value per unit (\$)	0.450
Number of units held by APD (million)	2.71
Assessed value of interest held in APN DF No2	1.2

Source: Management information and KPMG Corporate Finance Analysis.

As summarised in the table above, KPMG Corporate Finance has assessed the value of APD's interest in the APN DF No2 to be \$1.2 million.

8.9 Other assets and liabilities

APD has total net assets of \$19.7 million at the corporate level relating to: (i) loan receivables of \$17.4 million in relation to senior management incentive plans; (ii) \$2.5 million of anticipated co-investments; and (iii) net lease liabilities of \$0.1 million.

8.10 Net debt

APD's forecast net debt position at 30 June 2021, being a proxy for the anticipated net debt balance upon completion of the transaction is estimated at \$2.6 million and is comprised of:

- \$23.4 million of corporate cash
- less restricted cash of \$6.0 million, of which \$0.2 million is held in trust and \$5.8 million for AFS Licenses
- less interest-bearing liabilities of \$20.0 million.

We have adopted a forecast net debt position at 30 June 2021, prior to the deduction of the funds for the Permitted Distribution, in order to present a net debt position that is comparable to the Total Cash Value of \$0.915 per APD Security.

8.11 Scenario analysis for the valuation of APD

We consider the conversion of the funds management pipeline of opportunities and cost savings, to be a relatively judgemental assumption. In this regard, KPMG Corporate Finance has developed the following scenarios, which consider incremental decreases and increases of \$0.5 million to the earnings attributed to the funds management business. The sensitivity of earnings reflects an adjustment to either the assumed cost savings or earnings from growth opportunities, or a combination of the two.

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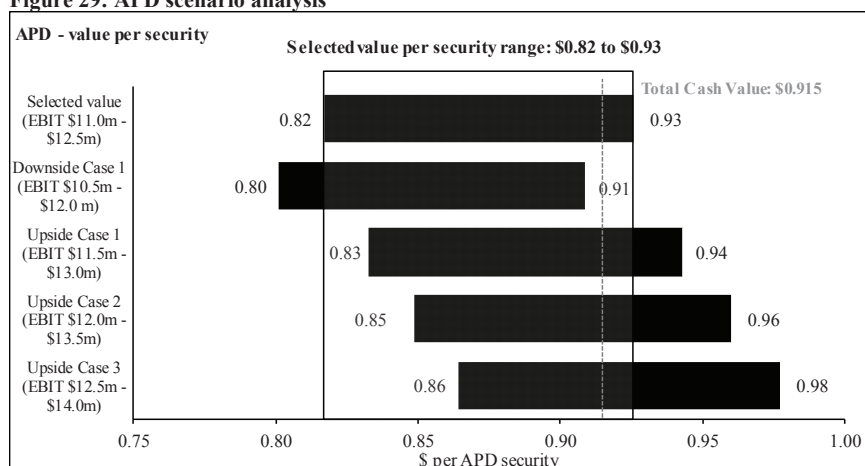
Table 41: APD scenario analysis

Scenario	Description
Scenario A	Downside Scenario 1: a lower EBIT range by \$0.5m to \$10.5 to \$12.0 million.
Scenario B	Upside Scenario 1: a higher EBIT range by \$0.5m of \$11.5 to \$13.0 million.
Scenario C	Upside Scenario 2: a higher EBIT range by \$1.0 million of \$12.0 to \$13.5 million.
Scenario D	Upside Scenario 3: a higher EBIT range by \$1.5 million of \$12.5 to \$14.0 million.

Source: KPMG Corporate Finance Analysis.

The range of APD's value per security for each scenario is illustrated in the following chart.

Figure 29: APD scenario analysis



Source: KPMG Corporate Finance Analysis.

The above scenario analysis indicates that the value of APD securities is sensitive to changes in the level of earnings attributed to cost savings and the funds management pipeline of opportunities and that there is greater potential for upside, which is reasonable given the nature of the business.



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Appendix 1 – KPMG Corporate Finance disclosures

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Adele Thomas and Sean Collins. Adele is a member of Chartered Accountants Australia and New Zealand and holds Bachelor degrees in Commerce and Accounting. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute for Securities and Investments in the United Kingdom and holds a Bachelor of Commerce from the University of Queensland. Adele and Sean have a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports. Aidan Murphy and Xavier Dunand have assisted in the preparation of the report.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of Scheme Securityholders. KPMG Corporate Finance expressly disclaims any liability to any APD Securityholders who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

It is not the role of the Independent Expert to undertake the commercial and legal due diligence that a company, and its advisers may undertake. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the diligence process, which is outside our control, and beyond the scope of this report. We have assumed that the due diligence process was conducted in an adequate and appropriate manner.

Independence

KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently. In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of APD for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to Scheme Securityholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

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Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- Scheme booklet (including earlier drafts)
- Scheme Implementation Deed, dated 11 May 2021
- company presentations and announcements of APD
- audited annual reports for the periods ended 30 June 2019 and 30 June 2020 and the reviewed financial report for the half year ended 31 December 2020 for APD, ADI and AQR
- broker reports for APD, ADI and AQR
- various press and media articles
- data providers including S&P Capital IQ, IRESS, Bloomberg, Thompson Financial Securities and Connect 4
- various reports on the A-REIT and funds management industries in Australia.

Non-public information:

- management papers and documents confidential to APD
- Cash Flow Models for APD prepared by APD management.

In addition, we have had discussions with the management of APD and its advisors.



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Appendix 3 – Industry overview

As discussed in Section 6.1, APD is primarily comprised of a funds management business that establishes and actively manages real estate funds and a portfolio of co-investment stakes in some of the funds it manages. The majority of the co-investments are in ADI and AQR, which primarily invest in industrial and retail convenience property assets, respectively.

In order to provide context to the current economic and industry factors relevant to APD, we have provided an overview of the broader Australian REIT industry, with specific focus on industrial and retail convenience sectors, and of the Australian funds management industry.

REIT industry

REIT industry overview

Australian REITs (A-REITs) are trust structures that provide security holders with an opportunity to invest in a vehicle that holds investments in property assets. Investors generally evaluate A-REITs by assessing the security of the rental and other property income, quality of the individual properties and tenants, degree of diversification, lease expiry profile, level of gearing and quality of management. The relative risk of these elements will generally be reflected in the yield of the individual A-REITs. A-REITs may be able to access tax concessions (such as capital allowances and tax deferral on rental income) which are generally passed on to securityholders through tax deferred distributions.

A-REITs invest in a range of properties in various sub-sectors and geographic locations. The RES funds invest largely in a mix of Australian and international REITs, actively managed across the sectors, providing diversified and liquid property investments for investors.

The sectors within the property market and the type of properties within each include the following:

- retail: investment in shopping malls, outlet malls, neighbourhood and community shopping centres, service stations (convenience)
- diversified: investment across a range of property sectors
- industrial: investment in industrial properties including warehouses, logistics, industrial estates, distribution centres, development sites and manufacturing plants
- office: investment in office buildings and office parks
- residential: investment in residential properties including housing, apartments and student housing
- hotel: investment in properties that provide accommodation on a room and/or suite basis
- specialised: includes investment in physical and electronic record storage centres, childcare and early learning, agricultural land as well as retirement communities, aged care and other seniors living and agricultural land among others.

Presented below is a summary of the Australian key macroeconomic factors that may impact the performance of the A-REIT industry.

- low interest rates: to support the recovery of businesses after easing the COVID-19 related restrictions, the Reserve Bank of Australia (RBA) reduced the cash rate to 0.10% in early November 2020 from 0.75% at the start of 2020. For the A-REITs sectors, the lower interest rates mean a lower cost of debt which is expected to drive an increase in earnings making the sector look more attractive than stock and bonds. In addition, a decreasing interest rate environment would usually lead to compression of capitalisation rates and as a consequence, an increase in market value

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- low inflation rate: A-REITs primarily derive their revenue from property rentals. Therefore, higher inflationary expectations tend to improve rental yields, which then ultimately improves distributions to investors
- compressing real property yields: the yield on properties has closely followed that of the 10-year government bond, which in turn is linked to the cash rate. Due to the increase in the level of real estate activity in the past five years, property prices have increased, which has resulted in a reduction in yields. However, the lower returns provided by other asset classes such as government bonds has helped maintain the demand for real estate assets.

Industrial property sector

ADI's portfolio is predominantly exposed to the industrial sector as are a number of the RES funds.

The industrial property sector comprises firms engaging in the ownership and management of properties used for manufacturing, production, warehousing, logistics and distribution. The sector includes industrial estates, distribution centres, business parks, logistics and development sites.

The key drivers of the industrial property sector include²⁵:

- **business confidence:** business operators' confidence in the economy influences the decision to expand or scale down operations. These decisions directly affect tenant demand for non-residential property
- **interest rates:** interest rates affect business confidence and investment, including investment in new property development and directly determine yields on geared property. Interest rates also influence the profitability of existing geared property investors. When bond rates are low, investors are more inclined to invest in other assets, such as industrial property
- **total merchandise imports and exports:** merchandise trade requires industrial property for warehousing, distribution and manufacturing purposes. As a result, merchandise trade affects tenant demand for industrial property
- **business inventories:** business inventories affect demand for warehouse storage and distribution capacity, which drives demand for industrial properties.

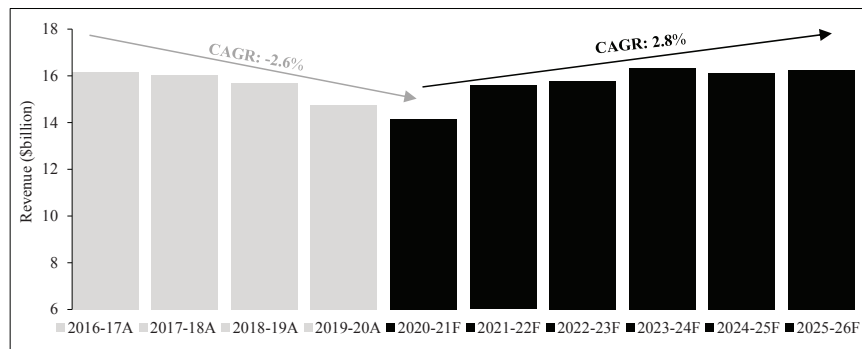
²⁵ IBISWorld, "Industrial and Other Property Operators in Australia Industry Report", October 2020.

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Recent performance and outlook

Figure 30: Industrial property sector revenue from 2016 to 2026



Source: IBISWorld, "Industrial and Other Property Operators in Australia, Industry Report", October 2020.

Prior to the outbreak of COVID-19, business inventories and merchandise trade increased, driving demand for warehousing, transport and logistic facilities. Additionally, positive business confidence coupled with low interest rates encourage investment in industrial property²⁶.

The negative effects of COVID-19 have eroded industry revenues resulting in a 3.9% decline in 2020-2021²⁶.

The pandemic severely constrained turnover over the two years through 2020-2021. Restrictions imposed by the Federal Government, coupled with initial negative business confidence, limited downstream tenants' operations and demand. Consequently, many less profitable tenants negotiated lower rental payments or terminated lease agreements. This has constrained rental yields and increased vacancy rates, decreasing industry revenue. However, offsetting these, online shopping is expected to grow, providing a stable source of demand for warehouse and distribution centre²⁶.

Demand for industrial property is forecast to improve over the next five years as government restrictions are lifted and business confidence recovers. The rebound in the domestic economy is projected to increase rental yields and decrease vacancy rates to pre-COVID-19 levels. Furthermore, online shopping is anticipated to support demand for industrial warehouses. Overall, industry revenue is forecast to grow at an annualised rate of 2.8% over the five years through to 2025-2026²⁶.

Retail and retail convenience sector

The retail property sector comprises entities engaged in the ownership and management of shopping centres, retail outlets and retail convenience (service stations).

The RES funds are exposed to the retail sector and AQR mainly owns Australian service stations and convenience retail assets.

²⁶ IBISWorld, "Industrial and Other Property Operators in Australia Industry Report", October 2020.

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The key drivers of the retail property sector include²⁷:

- **demand from retail trade:** retail sales drive demand for retail property space, as sales volume influence retailers' ability to pay rents. Low sales can cause retailers to seek cheaper retail properties, negatively affecting occupancy rates and therefore property income for some retail property operators
- **consumer sentiment:** consumer sentiment influences retail demand by affecting retail sales
- **business confidence:** refer to industrial property section
- **interest rates:** refer to industrial property section
- **demand from online shopping:** online shopping provides strong competition for traditional bricks-and-mortar retailers. As consumers spend more time and money shopping online, traditional retailers' sales tend to decline. Greater online sales can reduce demand for retail space, as retailers downsize or close.

In addition, the retail convenience property subsector has a number of unique additional drivers:

- **population growth:** demand for service stations or their alternative use will be supported by the growing population
- **demand for non-fuel products:** discussed below
- **demand for traditional fuel:** discussed below
- **transition to electric vehicles (EVs):** discussed below.

Demand for non-fuel products

Fuel remains the primary reason for customer visitation to petrol stations convenience stores, with only 18% of fuel buyers purchasing other products when visiting a service station. The convenience offer is rarely a consideration for consumers but may influence inner-city consumers and those aged under 30. However, consumer behaviours are rapidly evolving, and the convenience offer is becoming an increasingly important driver of site traffic and is expected to overtake fuel as the key driver²⁸.

Australian operators are expected to follow international trends:

- in the United States (US), 70% of store sales are generated from customer not buying fuel
- in the United Kingdom (UK), only 19% of customers cite fuel as the main reason for visiting²⁹.

Demand for traditional fuels

Demand for traditional fuels is expected to remain resilient in the near-to-medium term, particularly for freight transport. Liquid fuels are projected to remain most commonly used by heavy industry given their high energy-density and convenience to store and handle³⁰.

Key factors underpinning demand include population growth, population dispersion, reliance on road transport (passenger and freight), and low EV adoption rates.

Lockdown measures implemented to control the pandemic impacted demand for fuel used for passenger motor vehicles and public transport. Fuel sales are expected to recover as the economy recovers and the number of

²⁷ Source: IBISWorld, "Retail Property Operators in Australia Report", September 2020.

²⁸ Australasian Convenience and Petroleum Marketers Association (ACAPMA), 2019 Monitor of Fuel Consumer Attitudes.

²⁹ Realty Income, Institution Investor Presentation, January 2021.

³⁰ Australian Government, Future Fuel Strategy, Discussion Paper, February 2021.

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motor vehicles increases. However, consumers are anticipated to increasingly choose fuel-saving transport alternatives, such as hybrid cars and public transport, which will constrain growth in demand for fuel. Therefore, industry players will likely need to diversify their operations into areas such as convenience store operations, to remain competitive³¹.

Transition to EVs

Whilst the transition to EVs is inevitable, the timing remains highly uncertain:

- EVs represented approximately only 0.6% of new car sales in 2019
- key barriers to EV take up include price differential, lack of charging infrastructure, range anxiety, limited model availability and lack of government support³².

In June 2020, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), published a report providing projections on EV market share. The report noted that, on average, Australians keep their vehicles on the road for 20 to 30 years. Given this slow turnover of vehicle, it could take more than 20 years for sales of EVs to translate to a significant share of total vehicle fleets³³.

In the short to medium term, the take-up of EVs is expected to remain low as the Australian government focuses on an economic recovery post-COVID-19 rather than EV subsidies and supporting infrastructure.

Autonomous vehicles present an additional threat to service stations; however, safety and regulatory issues likely mean this remains a long-term threat. Service station operators are already responding to the changing landscape by enhancing their fulfilment and retail offering, with a stronger focus on growing convenience retail (e.g. fresh food and quick service restaurants).

Outlook

The Australian Government released its Future Fuels Strategy discussion paper in February 2021. The report noted the following:

- in the short to medium term, conventional vehicles that use petrol and diesel will continue to be most popular and widely available vehicles in Australia
- liquid fuels are projected to remain most commonly used in heavy industry, due to their high energy-density and convenience to store and handle
- currently, closing the total cost of ownership gap between EVs and conventional vehicles through subsidies would not represent value-for-money for the taxpayer³⁴.

Funds management industry

The amount of money managed by funds managers, or total assets, is commonly referred to as funds under management (FUM). Assets invested by Australian funds managers on behalf of clients (excluding superannuation funds) are estimated to total \$1.03 trillion in 2020-2021³⁵.

³¹ IBIS Report, Petroleum Product Wholesaling in Australia, March 2021.

³² Electric Vehicle Council, State of Electric Vehicles, August 2020.

³³ CSIRO, Projections for small-scale embedded technologies, June 2020.

³⁴ Australian Government, Future Fuels Strategy, Discussion Paper, February 2021.

³⁵ IBISWorld, "Fund Management Services in Australia Industry Report", February 2021.

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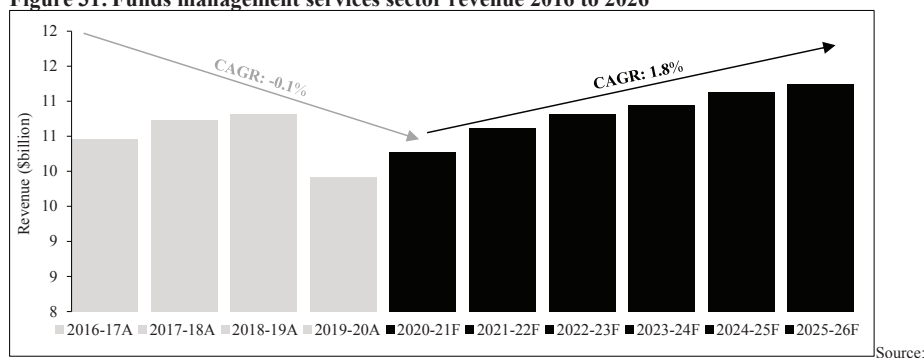
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Property is one asset class managed by funds managers, with other asset classes including equities, fixed income, infrastructure and private equity, amongst others.

The key drivers of the funds manager service industry include:

- **share market performance:** the share market's performance affects the value of FUM. Equity securities fluctuate in value and affect the asset values held in trusts and funds. Improved share market performance raises the value of shares and equities held in managed funds, lifting the value of FUM and the fees generated by funds managers. Given that a large proportion of APD's funds are in listed equities, this is an important driver of its FUM
- **cash rate:** interest rates influence investment allocations, which in turn affect industry revenue and demand for industry services. Rising interest rates often negatively affect share market performance, as the cost of borrowings rises for companies and affect profitability. A higher cash rate also makes the share market slightly less appealing as an investment category
- **demand from life insurance:** life insurance companies demand industry service for investing the premiums they receive from clients. A decline in the value of premiums received by life insurance companies translates to less funds being channelled towards funds management services, threatening industry revenue growth
- **high income earners:** high income earners often employ funds managers to manage their wealth. A higher portion of disposable income earned by this demographic results in increased demand for industry services, which can present an opportunity for the industry to expand.

Figure 31: Funds management services sector revenue 2016 to 2026



The funds management service industry has grown for most of the past five years, driven by the scale of operations and strong growth in FUM. Industry revenue grew by \$360 million or 3.4% from \$10.4 billion in 2016-2017 to \$10.8 billion in 2018-2019. An increase in the portion of funds sourced from overseas has further supported industry growth over this period.

The sector was significantly impacted by COVID-19, with industry revenue down by \$907 million or 8.4% in 2019-2020. However, business confidence has been recovering from the lows during the early stages of the pandemic, as the COVID-19 vaccine is gradually rolled out globally. Funds management revenue is expected to grow by 3.7% in 2021.



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Whilst funds managers have benefited from economies of scale, either by growing FUM or outsourcing back-office operations to third parties, management fees have been falling due to rising competition, including the threat of robo-advice solutions from larger competitors and use of passive funds.

Australia's ageing population and growing popularity of alternative investment products are forecast to support industry growth over the next five years. Industry profit margins are also expected to increase, with more funds consolidating and economies of scale providing cost saving. Management fees are anticipated to decline as competition for investment funds intensifies and managers attempt to win back risk-averse clients.

Industry revenue is expected to increase at an annualised rate of 1.8% over the five years through 2025-2026.

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Appendix 4 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable industry, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the valuation date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically, a forecast period of at least five years is required, although this can vary by industry and within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some industries it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.



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Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

Appendix 5 - Market evidence

Table 42: Sharemarket evidence - Australian REITs

Company	Market capitalisation ¹ (\$m)	Enterprise value ² (\$m)	EBIT margin (FY)	EBIT margin (FY+1)	EV /EBIT (FY)	EV /EBIT (FY+1)	Dividend yield (FY)	Dividend yield (FY+1)	Premium/ (discount) to NTA ³
Industrial									
Goodman Group	37,928	38,770	69.5%	82.1%	22.0x	28.8x	1.5%	1.5%	240.5% (6.9%)
Charter Hall Long WALE REIT	2,991	3,821	77.7%	88.5%	20.8x	19.3x	5.8%	5.9%	(2.9%)
Centuria Industrial REIT	2,060	2,775	67.0%	82.9%	35.0x	24.9x	5.0%	4.6%	2.5%
APN Industria REIT	707	1,179	69.3%	89.3%	28.4x	23.3x	5.3%	5.3%	(8.7%)
Mean		70.9%	85.7%	26.6x	24.1x	4.4%	4.3%	58.3%	
Median		69.5%	85.7%	25.2x	24.1x	5.2%	5.0%	(0.2%)	
Convenience retail and long WALE									
Charter Hall Long WALE REIT	2,991	3,821	77.7%	88.5%	20.8x	19.3x	5.8%	5.9%	(6.9%)
Waypoint REIT Limited	2,065	4,870	94.8%	93.9%	28.2x	31.5x	5.8%	6.0%	5.6%
APN Convenience Retail REIT	449	785	82.0%	88.8%	28.6x	25.8x	6.0%	6.0%	4.3%
Mean		84.9%	90.4%	25.9x	25.5x	5.9%	6.0%	1.0%	
Median		82.0%	88.8%	28.2x	25.8x	5.8%	6.0%	4.3%	
Diversified									
Dexus	11,423	15,959	65.1%	97.6%	16.5x	19.8x	4.7%	4.9%	(3.1%)
Charter Hall Group	6,968	7,118	63.3%	72.9%	15.4x	21.1x	2.4%	2.5%	236.9%
Growthpoint Properties Australia	3,049	4,500	77.6%	76.5%	20.2x	19.7x	5.5%	5.1%	(4.8%)
Abacus Property Group	2,529	3,197	62.1%	70.5%	18.1x	20.7x	6.0%	5.3%	(5.2%)
Cromwell Property Group	2,356	6,980	53.8%	57.4%	27.2x	30.7x	8.3%	8.0%	(10.0%)
Arena REIT	1,199	1,539	91.8%	88.1%	27.2x	27.9x	4.0%	4.3%	50.4%
Irongate Group	903	2,110	41.2%	91.3%	92.7x	29.8x	10.3%	n/a	3.3%
GDI Property Group	629	1,566	56.9%	n/a	39.1x	45.5x	6.7%	6.7%	(8.7%)
Mean		64.0%	79.2%	32.1x	26.9x	6.0%	5.3%	32.4%	
Median		62.7%	76.5%	23.7x	24.5x	5.8%	5.1%	(4.0%)	

Source: S&P Capital IQ, Company Announcements, Company financial statements, Company website, KPMG Corporate Finance Analysis.

Note 1: Market capitalisation is calculated using closing prices on 7 June 2021.

Note 2: Enterprise value is market capitalisation plus net debt, preferred equity and minority interest less equity accounted investments (using latest reported balance sheet information or market value where possible).

Note 3: NTA premium/ (discount) to the latest quoted price).

Table 43: Share market evidence – Funds management platforms

Company	Market capitalisation (\$m) ¹	Enterprise value (\$m)	FUM ² (\$m)	EBIT margin (FY)	EBIT margin (FY+1)	EV /FUM	EV /EBIT (FY)	EV /EBIT (FY+1)	Dividend yield (FY)	Dividend yield (FY+1)	Premium/ (discount) to NTA	EBIT /FUM (FY)	EBIT /FUM (FY+1)
Funds management platforms													
Goodman	37,928	38,770	52,900	69.5%	82.1%	73.3%	22.0x	28.8x	1.5%	1.5%	240.5%	3.3%	2.4%
Dexus	11,423	15,959	15,600	65.1%	97.6%	102%	16.5x	19.8x	4.7%	4.9%	(3.1%)	6.2%	5.4%
Charter Hall	6,968	7,118	46,400	63.3%	72.9%	15.3%	15.4x	21.1x	2.4%	2.5%	236.9%	1.0%	0.9%
Cromwell	2,356	6,980	11,600	53.8%	57.4%	60.2%	27.2x	30.7x	8.3%	8.0%	(10.0%)	2.2%	1.9%
Centuria Capital	1,663	2,513	10,200	57.3%	48.5%	24.6%	27.0x	26.4x	3.5%	3.6%	158.9%	0.9%	0.8%
Primewest	581	543	4,900	58.1%	61.8%	11.1%	28.6x	23.8x	1.9%	3.1%	565.9%	0.4%	0.4%
Mean				61.2%	70.1%	47.8%	22.8x	25.1x	3.7%	3.9%	198.2%	2.3%	1.9%
Median				60.7%	67.4%	42.4%	24.5x	25.1x	3.0%	3.4%	197.9%	1.6%	1.4%

Source: S&P Capital IQ. Company financial statements and announcements, KPMG Corporate Finance Analysis

Note 1: Market capitalisation is calculated using closing prices on 7 June 2021, except for APN Property Group, Centuria Capital Group (Centuria) and Primewest Group (Primewest). Market capitalisation for APD is calculated using closing prices as at 10 May 2021, one day prior to the announcement that APD had entered into a scheme implementation deed with Dexus. Market capitalisation for Centuria and Primewest are calculated using closing prices as at 18 April 2021, one day prior to the announcement that Primewest had entered into a bid implementation deed in relation to a merger with Centuria.



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The multiples are based on share market prices at 7 June 2021, except for APD (10 May 2021) and Centuria/Primewest (18 April 2021), and do not typically include a control premium. A brief description of each company is outlined below.

Description of companies - Industrial A-REITs

Goodman Group

Goodman Group (Goodman) is an integrated group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom and North America. The group is the largest industrial property group listed on the ASX and is one of the largest listed specialist investment managers of industrial property globally. At 31 March 2021, Goodman had FUM of \$52.9 billion and a development pipeline of \$9.6 billion. At 31 March 2021, the managed portfolio had a WALE of 4.4 years and an occupancy rate of 98%. Total FUM by geography at 31 March 2021 is as follows: Australia and New Zealand (40%), Asia (35%), Europe (16%) and the Americas (9%).

Charter Hall Long WALE REIT

Charter Hall Long WALE REIT (Charter Hall LW) is an A-REIT that invests in high quality Australasian real estate assets that are predominantly leased to corporate and government tenants on long term leases. Charter Hall LW is managed by Charter Hall Group. Charter Hall LW mainly invested in the following sectors: convenience retail (33%), industrial and logistics (25%), office (22%), telecommunication exchanges (14%) and agri-logistics (5%). At 31 December 2020, Charter Hall LW had a \$4.5 billion property portfolio with a WALE of 14.1 years and an average occupancy of 97.5%. The properties are primarily located across Australia: New South Wales (NSW) (37%), Victoria (18%), Queensland (18%), Western Australia (13%), South Australia (8%), the Australian Capital Territory (ACT) (3%), New Zealand (3%) and Northern Territory and Tasmania (1%).

Centuria Industrial REIT

Centuria Industrial REIT (Centuria Industrial), previously 360 Capital Industrial Fund, is an A-REIT that focuses on investment in industrial properties in Australia (principally warehouses and logistics). At 31 December 2020, Centuria Industrial had \$10.2 billion in FUM and a \$2.4 billion property portfolio. The property portfolio had a WALE of 9.8 years and an average occupancy of 97.7%. Centuria Industrial's properties are located in Victoria (37%), Queensland (28%), NSW (24%), Western Australia (7%), South Australia (3%) and the ACT (1%).

APN Industria REIT (ADI)

The profile of ADI is described in Section 6.5.3 of this report.

Description of companies - Convenience retail and long WALE REITs

Charter Hall Long WALE REIT (Charter Hall LW)

Refer to description above.

Waypoint REIT Limited

Waypoint REIT Limited (Waypoint), previously known as VIVA Energy REIT, is Australia's largest listed REIT owning solely service station and convenience retail properties with a high quality portfolio across all Australian states. At 31 December 2020, Waypoint had a \$2.9 billion property portfolio comprised of 470 properties located in NSW (31%), Victoria (28%), Queensland (21%), Western Australia (9%), South

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Australia (5%), Tasmania (2%), ACT (2%) and Northern Territory (1%). The portfolio had a WALE of 10.8 years and an occupancy rate of 99.9%.

APN Convenience Retail REIT

The profile of AQR is described in Section 6.5.4 of this report.

Description of companies - Diversified REITs

Dexus

Dexus is one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at \$36.5 billion. Dexus' directly owned portfolio comprises \$15.5 billion of office, industrial and healthcare properties and Dexus manages a further \$21.0 billion of properties for third party capital partners. The group's \$11.5 billion development pipeline provide the opportunity to grow both portfolios and enhance future returns.

Charter Hall Group

Charter Hall Group (Charter Hall) is a property funds manager and developer managing a suite of institutional, wholesale and retail unlisted property funds, in which it also holds investments. At 31 December 2020, the group had \$46.4 billion of FUM, including a \$2.0 billion property portfolio. The funds management portfolio is split into the following sectors: office (46%), industrial and logistics (27%), long WALE retail (13%), social infrastructure (7%) and shopping centre retail (8%). At 31 December 2020, the property portfolio had a WALE of 9.1 years, an occupancy rate of 97.2%, and a WACR of 5.11%. The properties operate in the following sectors: office (40%), long WALE retail (20%), industrial and logistics (17%), social infrastructure (12%) and shopping centre retail (11%).

Growthpoint Properties Australia

Growthpoint Properties Australia (Growthpoint) is an A-REIT with a mandate to invest in Australian office and industrial property. At 31 December 2020, the group had a \$4.3 billion property portfolio, with a WALE of 6.2 years and an occupancy rate of 95%. The portfolio is comprised of properties located across Australia: Victoria (28%), Queensland (27%), NSW (26%), South Australia (7%), Western Australia (8%) and the ACT (4%). The portfolio is comprised of office (69%) and industrial (31%) properties. The majority of Growthpoint's tenants (60%) are listed companies with a further 23% of properties occupied by government owned entities.

Abacus Property Group

Abacus Property Group (Abacus) is a diversified property investment group with property investment, funds management and development operations. At 31 December 2020, the group had a diversified \$3.3 billion investment portfolio of office (48%), self-storage (45%), retail (6%) and industrial (1%) assets. The office segment of the investment portfolio had a WALE of 4.1 years and an average occupancy of 90%. The investment properties are located across Australia and New Zealand: NSW (37%), Victoria (24%), Queensland (17%), the ACT (8%), New Zealand (8%), South Australia (3%) and Western Australia (3%).

Cromwell Property Group

Cromwell Property Group (Cromwell) is a global investment manager with a \$11.6 billion of FUM at 31 December 2020 across Europe (50%), Australia (42%) and New Zealand (8%). The global funds management portfolio has exposure to the following sectors: office (66%), retail (14%), industrial and logistics (13%) and property securities and other (6%). The group also owns a direct Australian property investment portfolio of

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\$3.0 billion at 31 December 2020, comprised of properties located across Australia: NSW (44%), Queensland (31%), the ACT (15%) and Victoria (11%).

At 31 December 2020, the property portfolio had a WALE of 6.3 years and an occupancy rate of 96%.

Arena REIT

Arena REIT (Arena) is an A-REIT that owns, manages and develops healthcare and Early Learning Centre (ELC) properties across Australia. At 31 December 2020, it had a \$1.0 billion investment property portfolio with 86% of the portfolio exposed to the ELC sector and 14% to the healthcare sector. The properties are located across Australia: Queensland (33%), Victoria (28%), NSW (21%), Western Australia (9%), South Australia (6%), Tasmania (3%) and the Northern Territory (1%). At 31 December 2020, the ELC property portfolio had a value of \$876.4 million, a WALE of 15.1 years and an occupancy rate of 100%. the healthcare property portfolio had a value of \$140.8 million, a WALE of 12.5 years and an occupancy rate of 100%.

Irongate Group

Irongate Group (Irongate) is an internally managed A-REIT. At 31 March 2021, it had over \$1.75 billion in FUM, and an investment property portfolio valued at \$1.2 billion. The portfolio is exposed to the industrial (61% - 20 properties) and office (39% - 12 properties) sectors. The properties are based in NSW (29%), Victoria (17%), Queensland (14%), South Australia (11%), the ACT (10%), Western Australia (8%), New Zealand (7%) and Northern Territory (4%). At 31 March 2021, the property portfolio had a WALE of 4.7 years and an occupancy rate of 97.5%.

GDI Property Group Limited

GDI Property Group Limited (GDI) is an integrated internally managed office A-REIT operating through two segments: property investment and funds management. At 31 December 2020, the groups' property portfolio was comprised of eight office properties / complexes located in Perth, Townsville and Surfers Paradise valued at \$944 million. The portfolio had an average occupancy of 65.9% and a WALE of 3.6 years. GDI also manages seven unlisted and unregistered managed investment schemes with total FUM of approximately \$504.7 million at 30 June 2020.

Description of companies - Funds management platforms

We have included a brief description of companies not listed above (A-REITs).

Centuria Capital Group (CNI)

Centuria Capital Group (CNI) is an internally managed industrial A-REIT that manages investment products primarily in Australia. At 31 December 2020, CNI had \$10.2 billion in FUM comprised of a \$9.3 billion Australasian real estate platform, with properties located in Queensland (23%), NSW (21%), Victoria (18%), Western Australia (8%), South Australia (5%), the ACT (4%), Tasmania (less than 1%), Auckland (16%) and other areas (6%). The Australasian real estate platform is exposed to the following sectors: office (48%), industrial (36%), healthcare (11%) and other (5%). At 31 December 2020, the office, healthcare and industrial portfolios had WALEs of 4.7 years, 7.3 years and 9.8 years, respectively and occupancy rates of 93.1%, 98.6% and 97.7%, respectively. At 31 December 2020, CNI also had a \$1.6 billion development pipeline.

Primewest Group Limited

Primewest Group Limited (Primewest) is an A-REIT specialized in investment in real estate assets. At 31 December 2020, Primewest had \$4.9 billion of FUM. The FUM portfolio has properties located in Western Australia (54%), NSW (16%), Victoria (10%), Queensland (10%), South Australia (6%), and other areas (4%).

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The FUM portfolio is exposed to the following sectors: commercial (34%), retail (40%), industrial (11%), agriculture (7%) and other (8%). Primewest acquired the management rights and a co-investment in Vitalharvest Freehold Trust (VTH) in June 2020. VTH is an externally managed agricultural REIT that owns an investment grade portfolio of agricultural assets with a current portfolio WALE of 6 years and 100% of occupancy.

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Table 44: Sharemarket evidence – Broader funds managers

Company	Market capitalisation ¹ (\$m)	Enterprise value (\$m)	FUM (\$m)	EBIT margin (FY)	EBIT margin (FY+1)	EV /FUM (FY)	EV /EBIT (FY)	EV (FY+1)	Dividend yield (FY)	Dividend yield (FY+1)	EBIT /FUM (FY)	EBIT /FUM (FY+1)
Broader funds managers												
Magellan Financial Group	9,092	8,769	110,427	82.3%	82.3%	7.9%	15.3x	15.8x	3.7%	4.3%	0.5%	0.5%
Platinum Investment	2,770	2,670	24,507	80.5%	77.6%	10.9%	11.2x	12.0x	5.0%	5.2%	1.0%	0.8%
IOOF Holdings	2,691	1,898	203,900	12.7%	27.7%	0.9%	12.8x	9.8x	6.6%	4.3%	0.1%	0.1%
Pendal Group	2,576	2,487	101,700	40.6%	35.9%	2.4%	13.1x	12.6x	4.7%	5.0%	0.2%	0.2%
Perpetual	2,167	2,305	95,300	27.9%	26.4%	2.4%	16.8x	14.0x	4.0%	4.5%	0.1%	0.1%
EQT Holdings	516	469	128,000	33.1%	34.7%	0.4%	14.8x	13.4x	3.7%	3.8%	0.0%	0.0%
Navigator Global	317	303	27,198	31.4%	29.2%	1.1%	8.0x	8.6x	11.5%	7.6%	0.1%	0.1%
Pacific Current Group	285	260	123,261	50.1%	54.3%	0.2%	7.2x	7.2x	6.3%	6.3%	0.0%	0.0%
Fiducian Group	211	201	9,600	27.3%	n/a	2.1%	13.3x	na	3.4%	na	0.2%	0.1%
Mean				42.9%	46.0%	3.2%	12.5x	11.7x	5.4%	5.1%	0.2%	0.2%
Median				33.1%	35.3%	2.1%	13.1x	12.3x	4.7%	4.8%	0.1%	0.1%

Source: S&P Capital IQ. Company financial statements and announcements. KPMG Corporate Finance Analysis.

Note 1: Market capitalisation is calculated using closing prices on 7 June 2021.



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Description of companies – Broader funds managers

Magellan Financial Group Limited

Magellan Financial Group Limited (Magellan) engages in funds management business. It provides investment management services for high net worth, retail, and institutional investors in Australia and New Zealand. The company sponsors and manages two unlisted funds, Magellan Global Fund and Magellan Infrastructure Fund. It also plans to invest in various external funds management businesses across the various funds management disciplines. At 30 April 2021, Magellan had \$110 billion in FUM.

Platinum Investment Management Limited

Platinum Investment Management Limited (Platinum) is a publicly owned hedge fund sponsor. The firm primarily provides its services to pooled investment vehicles. It also caters to pension and profit-sharing plans and corporations. The firm launches and manages equity mutual funds and hedge funds for its clients. The firm invests in public equity markets across the globe. It employs value strategy with bottom-up stock picking approach to create its portfolio. At 30 April 2021, Platinum had \$25 billion in FUM.

IOOF Holdings Ltd

IOOF Holdings Ltd (IOOF) engages in the development, distribution, management, and administration of various financial products and services. The Wholesale Funds Management segment engages in the management and investment of monies on behalf of private, corporate, superannuation, and institutional clients. The Retail Funds Management and Administration segment distributes and administers retail funds, including financial planning and back office services. At 31 March 2021, IOOF had \$203 billion in FUM.

Pendal Group Limited

Pendal Group Limited (Pendal) is an investment manager that provides its services to individual and institutional clients. It launches and manages equity, fixed income, multi-assets and balanced mutual funds. The firm invests in the public equity, fixed income, and alternative investment markets across the globe. The firm uses fundamental along with bottom up stock selection process to make its investments supported by in-house research. At 31 March 2021, Pendal had \$102 billion in FUM.

Perpetual Limited

Perpetual Limited (Perpetual) provides funds management, portfolio management, financial planning, trustee, responsible entity and compliance services, executor services, custody services, and mortgage processing services. The company provides specialist direct-to-client financial services for high net worth individuals as well as corporate trustee and transaction support services, including mortgage services and trusteeships for corporate debt issues. At 31 March 2021, Perpetual had \$95 billion in FUM.

EQT Holdings Limited

EQT Holdings Limited (EQT) provides philanthropic, trust, and estate services in Australia. The Trustee & Wealth Services segment offers a range of private client, philanthropic, and superannuation services,



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including estate planning and management; charitable, compensation, indigenous, and personal trust services. The Corporate Trustee Services segment provides a range of responsible entity and trustee services for managed investment trusts on behalf of local and international funds managers and sponsors. At 31 December 2020, EQT had \$128 billion in FUM.

Navigator Global Investments Limited

Navigator Global Investments Limited (Navigator) operates as a funds management company in Australia. The company, through its subsidiaries, offers open-ended products and structured products to retail, wholesale, and institutional investors. At 31 March 2021, Navigator had \$27 billion in FUM (USD 20.7 billion).

Pacific Current Group Limited

Pacific Current Group Limited (Pacific Current) engages in multi-boutique asset management business worldwide. It manages assets for institutional and individual clients. The company has a portfolio of 14 specialist boutiques in Australia, India, Luxembourg, the United States, and the United Kingdom. At 31 March 2021, Pacific Current had \$123 billion in FUM.

Fiducian Group Limited

Fiducian Group Limited (Fiducian) offers funds management and investment services, including wrap platforms and client portfolio administration; wealth management and financial planning services; information technology solutions for financial planners and their clients; and accounting and accountancy resourcing services. It also manages various investment funds under the Fiducian brand. In addition, the company offers portfolio services, including portfolio administration, superannuation, investment, systems and software solutions for dealers, SMSF and risk insurance. At 31 March 2021, Fiducian had \$10 billion in FUM.

Appendix 6 – Glossary

Abbreviation	Description
\$	Australian Dollars
AASB	Australian Accounting Standards Board
ACT	Australian Capital Territory
ADI	APN Industria REIT
AFSL	Australian Financial Services Licence
Aggregate Scheme Consideration	The Scheme Consideration multiplied by the total number of Scheme Securities
APD	APN PG and APN RE and/or APN PG and APD Trust (as the context requires)
APD Board	Board of directors of APN PG and the board of directors of APN RE (in its capacity as responsible entity of the APD Trust)
APD Director	A director of APN PG and/or a director of APN RE
APD Employee Share Schemes	The Tim Slattery Executive Share Plan, the Employee Performance Securities Plan, the Employee Share Purchase Plan and the Clive Appleton Share Trust (as amended from time to time)
APDT	APD Trust
APD Rights	An unlisted contractual right to acquire an APD Security pursuant to the APD Employee Share Schemes
APD Securityholder	A holder of one or more APD Securities, as shown in the Security Register
APD Share	A fully paid ordinary share in the capital of APN PG
APD Shareholder	A person who is registered in the Security Register as a holder of APD Shares
APD Trust	The APD Trust whose units are stapled to shares of APN PG
APD Trust Unit	A fully paid ordinary unit in the APD Trust
APESB	Accounting Professional & Ethical Standards Board
APN AREIT	APN AREIT Strategy
APN ARF	APN Asian REIT Fund
APN DF II	APN Development Fund No. 2
APN FM	APN Funds Management Limited
APN GRIF	APN Global REIT Income Fund
APN NPF	APN Nowra Property Fund
APN PG	APN Property Group Limited
APN PIF I	APN Property for Income Fund
APN PIF II	APN Property for Income Fund No.2
APN RE	APN RE Limited in its capacity as responsible entity of the APD Trust
APN RPF	APN Regional Property Fund
AQR	APN Convenience Retail REIT
A-REIT	Australian REIT
ASIC	Australian Securities and Investments Commission



ASX	Australian Securities Exchange
AUD	Australian Dollar
Bidder	Dexus Nominee Pty Limited a member of the Dexus group
CAGR	Compound annual growth rate
CGT	Capital Gains Tax
DCF	Discounted cash flow
DDF	Dexus Diversified Trust
Dexus	The stapled group comprising DDF, Dexus Industrial Trust, Dexus Office Trust and DXO
DXO	Dexus Operations Trust
EBIT	Earnings before interest and tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
Effective Date	The date on which the Schemes become effective
Employee Share Scheme Loan	A non-recourse loan made by a member of the APD Group to a participant in the APD Employee Share Schemes for the acquisition of APD Securities
EPSP	Employee Performance Securities Plan
ESG	Environmental, Social and Governance
EV	Electric vehicle
FUM	Funds under management
FY	Financial year
Implementation Date	The fifth Business Day after the Scheme Record Date or such other day as Bidder and APD agree in writing
GAV	Gross asset value
GDP	Gross domestic product
GST	Goods and Services Tax
HY	Half year
IER	Independent Expert's Report
IPO	Initial Public Offering
IRR	Internal rate of return
k	Thousand
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division)
m	Million
Management	Certain members of APD's senior management
NLA	Net lettable area
NPAT	Net profit after tax
NSW	New South Wales
NTA	Net tangible assets



Permitted Distribution	A distribution paid by APD, to APD Securityholders who were securityholders as at the Permitted Distribution Record Date of approximately 1.5 cents per APD Security, to be paid on or about 31 July 2021. The Permitted Distribution will be paid irrespective of the outcome of the Schemes
Permitted Distribution Record Date	Means 30 June 2021
QLD	Queensland
RBA	Reserve Bank of Australia
REIT	Real estate investment trust
RES	Real estate securities
RG	Regulatory Guide
RG 111	Regulatory Guide 111
Schemes	Schemes means: (a) the APN PG Scheme; and (b) the Trust Scheme.
Scheme Consideration	In respect of each Scheme Security, 90.0 cents
Scheme Implementation Deed	The scheme implementation deed entered into by APD, Bidder and Dexu RE on 11 May 2021
Scheme Record Date	Means 7:00pm on the second Business Day after the Effective Date of the Schemes, or such other time and date as Bidder and APD agree in writing
Scheme Security	An APD Security held by a Scheme Securityholder as at the Scheme Record Date
Scheme Securityholder	An APD Securityholder as at the Scheme Record Date
Total Cash Value	In respect of each APD Security, the sum of the Scheme Consideration and the Permitted Distribution.
Transaction	The acquisition of APD by Bidder by means of the Schemes
Trust Scheme	An arrangement under which Bidder acquires all of the APD Trust Units from Trust Scheme Participants facilitated by amendments to the APD Trust Constitution as set out in the APD Trust Supplemental Deed, subject to the requisite approvals of the Trust Unitholders
Trust Scheme Participants	Each person registered in the Security Register as a holder of Trust Scheme Units as at the Scheme Record Date
TSESP	Timothy Slattery Executive Plan
UK	United Kingdom
US	United States
USD	United States Dollar
VIC	Victoria
VWAP	Volume weighted average price
WA	Western Australia
WACC	Weighted average cost of capital
WALE	Weighted average lease expiry



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Part Two – Financial Services Guide

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by **KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) and Adele Thomas as an authorised representative of KPMG Corporate Finance, authorised representative number 404180 and Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 (**Authorised Representatives**).

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- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

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KPMG Corporate Finance and the Authorised Representatives are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report. You should also consider the other parts of the Document before making any decision in relation to the Scheme.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance A\$190,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representatives) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership).



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Independent Expert's Report
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KPMG Corporate Finance's representatives (including the Authorised Representatives) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representatives pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representatives and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided a range of services to APD for which professional fees are received. Over the past two years approximately \$7,000 professional fees have been received from the Client. None of those services have related to the transaction or alternatives to the transaction.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representatives know. Formal complaints should be sent in writing to The AFSL Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint. Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than **45 days** after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website

www.afca.org.au or by contacting them directly at:

Address: Australian Financial Complaints Authority
Limited, GPO Box 3, Melbourne Victoria
3001

Telephone: 1300 56 55 62

Facsimile: (03) 9613 6399

Email: info@afca.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1800 931 678 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover in accordance with section 912B of the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representatives using the contact details:

KPMG Corporate Finance

A division of KPMG Financial Advisory Services (Australia)

Pty Ltd

Level 38, Tower Three

300 Barangaroo Avenue

Sydney NSW 2000

PO Box H67

Australia Square

NSW 1213

Telephone: (02) 9335 7000

Facsimile: (02) 9335 7200

Adele Thomas/ Sean Collins

C/O KPMG

PO Box H67

Australia Square

NSW 1213

Telephone: (02) 9335 7000

Facsimile: (02) 9335 7200

Appendix C – Scheme Implementation Deed



Scheme implementation deed

Dexus Nominee Pty Ltd

APN Property Group Limited

APN RE Limited as responsible entity of the APD Trust

Dexus Funds Management Limited

SYDNEY | MELBOURNE | PERTH

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Date: 11 May 2021

Parties

- 1 **Dexus Nominee Pty Limited (ACN 650 020 643)** of Level 25, Australia Square, 264-278 George Street, Sydney 2000 NSW, Australia (**Bidder**)
 - 2 **APN Property Group Limited (ACN 109 846 068)** of Level 30, 101 Collins Street, Melbourne 3000 Victoria, Australia (**APN PG**)
 - 3 **APN RE Limited (ACN 627 612 202)** as responsible entity of the **APD Trust (ARSN 629 330 007)** of Level 30, 101 Collins Street, Melbourne 3000 Victoria, Australia (**APN RE**)
(APN PG and APN RE being collectively **APD**)
 - 4 **Dexus Funds Management Limited (ABN 24 060 920 783)** of Level 25, Australia Square, 264-278 George Street, Sydney 2000 NSW, Australia (**Guarantor**)
-

Background

- A APD is a stapled group, comprising APN PG and APD Trust (the responsible entity of which is APN RE) which is listed on ASX.
- B The parties have agreed that Bidder will acquire all of the APD ordinary stapled securities by means of the APN PG Scheme and the Trust Scheme.
- C Bidder and APD have agreed to implement the Schemes on and subject to the terms of this deed.
- D Guarantor has agreed to guarantee the obligations of Bidder under this deed, on and subject to the terms of this deed.

The parties agree

1 Defined terms and interpretation

1.1 Defined terms

A term or expression which is defined in the dictionary in Schedule 1 has the meaning given to it in the dictionary.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this deed.

2 Agreement to proceed with Transaction

2.1 APD to propose Schemes

- (a) APD agrees to propose the Schemes on and subject to the terms of this deed.
- (b) APD must not consent to any modification of, or amendment to, the Schemes, or to the making or imposition by the Court of any condition in respect of the Schemes,

without the prior written consent of Bidder (such consent not to be unreasonably withheld or delayed).

- (c) Bidder and Guarantor agree to assist APD in proposing and implementing the Schemes on and subject to the terms of this deed.

2.2 Scheme Consideration

- (a) Each Scheme Securityholder will be entitled to receive the Scheme Consideration in respect of each of their Scheme Securities, on and subject to the terms of the APN PG Scheme and the Trust Scheme.
- (b) Subject to the Schemes becoming Effective, Bidder undertakes and warrants to APD (in APD's own right and separately as trustee for each Scheme Securityholder) that, in consideration of the transfer to Bidder of all Scheme Securities pursuant to the terms of the Schemes, Bidder will:
 - (i) accept that transfer on the Implementation Date; and
 - (ii) pay, or procure the payment of, an amount equal to the Aggregate Scheme Consideration, in cleared funds, into a trust account operated by APD as trustee for the Scheme Securityholders before 12 noon on the Business Day immediately before the Implementation Date.

2.3 APD Board recommendation

APD must use reasonable endeavours to procure that each APD Director:

- (a) unanimously with the other APD Directors, recommends to APD Securityholders that they vote in favour of the resolutions to approve the Schemes; and
- (b) announces their intention to cause any APD Securities in which they have a Relevant Interest to be voted in favour of the resolutions to approve the Schemes,

and does not publicly change, withdraw or modify their recommendation or voting intention unless and until such time as:

- (c) the APD Board determines a Competing Proposal is a Superior Proposal; or
- (d) the Independent Expert concludes that the Schemes are not in the best interests of APD Securityholders (including in any update or revision, supplement or amendment to the Independent Expert's Report),

and the APD Board determines, after receiving written legal advice from its external legal adviser, that the fiduciary or statutory duties of the APD Directors require them to change or withdraw their recommendation.

3 Conditions precedent

3.1 Conditions

Subject to this clause 3, the Schemes will not become Effective until and unless the following Conditions are satisfied or waived in accordance with clause 3.4:

- (a) **ASIC Relief:** ASIC issues or provides all of the following (in each case, to the extent required):

- (i) a modification of item 7 of section 611 of the Corporations Act, allowing Trust Unitholders (other than those excluded from voting because they are Associates of Bidder) to vote in favour of the relevant Trust Scheme Resolutions for the purpose of item 7 of section 611 of the Corporations Act;
- (ii) relief from Division 5A of Part 7.9 of the Corporations Act in relation to any unsolicited offer by Bidder to acquire the APD Trust Units under the Trust Scheme;
- (iii) relief from the requirement for APN RE to provide a financial services guide in respect of any financial services provided in the Scheme Booklet;
- (iv) relief from the requirement for APN PG to hold an Australian Financial Services Licence in relation to any financial product advice provided in the Scheme Booklet; and
- (v) such other consents, waivers and approvals that the parties agree, acting reasonably, are necessary to implement the Schemes,

and none of those consents, waivers or approvals has been withdrawn, revoked or adversely amended before 8:00am on the Second Court Date; and

- (b) **Independent Expert:** The Independent Expert concludes in the Independent Expert's Report that the Schemes are in the best interests of APD Securityholders (and does not change that conclusion).
- (c) **APD Securityholder approval:**
 - (i) APD Shareholders approve the APN PG Scheme at the APN PG Scheme Meeting by the requisite majorities under section 411(4)(a) of the Corporations Act; and
 - (ii) Trust Unitholders approve the Trust Scheme Resolutions at the Trust Scheme Meeting by the requisite majorities under section 601GC(1) and item 7 of section 611 of the Corporations Act.
- (d) **Court approval:** The Court:
 - (i) approves the APN PG Scheme in accordance with section 411(4)(b) of the Corporations Act; and
 - (ii) grants the Second Judicial Advice.
- (e) **Restraints:** No restraining order, injunction or other order that would prevent the Schemes made by a court of competent jurisdiction or Government Agency in Australia is in effect as at 8:00am on the Second Court Date.
- (f) **Prescribed Occurrence:** No Prescribed Occurrence occurs between the date of this deed and 8:00am on the Second Court Date.
- (g) **Material Adverse Change:** No Material Adverse Change occurs, is announced or becomes known to Bidder between the date of this deed and 8:00am on the Second Court Date.

3.2 Reasonable endeavours

- (a) APD must, to the extent within its power to do so, use reasonable endeavours to procure that the Conditions in clauses 3.1(b), 3.1(f) and 3.1(g) are satisfied.
- (b) Each of APD and Bidder must, to the extent within its power to do so, use reasonable endeavours to procure that:
 - (i) the Conditions in clauses 3.1(a), 3.1(c), 3.1(d) and 3.1(e) are satisfied as soon as practicable after the date of this deed; and
 - (ii) there is no occurrence within its control or the control of any of its Related Bodies Corporate that would prevent any of those Conditions being satisfied.
- (c) APD will not be in breach of its obligations under clause 3.2(a) or 3.2(b) to the extent that it takes or omits to take any action referred to in clause 6.1(b) or 6.1(c).

3.3 ASIC Relief

Without limiting clause 3.2, and except to the extent prohibited by law or a Government Agency, APD must:

- (a) promptly prepare an application for the ASIC Relief and provide to Bidder a copy of that draft application;
- (b) take into account in good faith any reasonable comments on the application provided by or on behalf of Bidder in a timely manner;
- (c) apply for the ASIC Relief and take all steps reasonably required as part of the ASIC Relief process, including responding to requests for information from ASIC at the earliest practicable time;
- (d) if requested in writing, keep Bidder reasonably informed of progress in relation to the ASIC Relief (including in relation to any material matters raised by, or conditions or other arrangements proposed by, or to, ASIC in relation to the ASIC Relief) and consult with Bidder prior to taking any steps to address any material matters raised in relation to the ASIC Relief; and
- (e) provide Bidder with all information reasonably requested in connection with the progress of the ASIC Relief.

3.4 Waiver of Conditions

- (a) The Conditions in clauses 3.1(a), 3.1(b), 3.1(c) and 3.1(d)(i) cannot be waived.
- (b) The condition in clause 3.1(d)(ii) is for the sole benefit of APD and may only be waived by APD in writing.
- (c) The Condition in clause 3.1(e) is for the benefit of Bidder and APD and may only be waived by written agreement between Bidder and APD.
- (d) The Conditions in clauses 3.1(f) and 3.1(g) are for the sole benefit of Bidder and may only be waived by Bidder in writing.
- (e) Waiver of breach or non-fulfilment of a Condition does not constitute:

- (i) a waiver of breach or non-fulfilment of any other Condition resulting from the same event; or
- (ii) a waiver of breach or non-fulfilment of that Condition resulting from any other event.

3.5 Failure of Condition

- (a) If:
 - (i) there is a breach or non-fulfilment of a Condition that has not been waived in accordance with clause 3.4 by the time or date specified in this deed for the satisfaction of the Condition;
 - (ii) a Condition becomes incapable of satisfaction by the time or date specified in this deed for the satisfaction of the Condition, and the breach or non-fulfilment of that Condition that has occurred, or would otherwise occur, has not been waived in accordance with clause 3.4; or
 - (iii) the Schemes have not become Effective by the End Date,

then APD and Bidder must promptly consult in good faith to determine whether they can reach agreement with respect to:

 - (iv) an extension of the time for satisfaction of the relevant Condition or an extension of the End Date;
 - (v) an adjournment or change to the date of an application to the Court; or
 - (vi) the Transaction proceeding by way of alternative means or methods.
- (b) Subject to clause 3.5(c), if APD and Bidder have not reached agreement under clause 3.5(a) within five Business Days (or any shorter period ending at 5:00pm on the Business Day before the Second Court Date), then either of them may terminate this deed by giving written notice to the other parties, provided that a party may only exercise such termination right if the relevant circumstances did not arise due to a breach of this deed by that party or any of its Related Bodies Corporate.
- (c) If the Condition in clause 3.1(c)(i) is not satisfied only because of a failure to obtain the majority required by section 411(4)(a)(ii)(A) of the Corporations Act, then either APD or Bidder may by written notice to the other within three Business Days after the date of the conclusion of the Scheme Meetings require the approval of the Court to be sought, pursuant to the Court's discretion in section 411(4)(a)(ii)(A), provided the relevant party has, in good faith formed the view that the prospect of the Court exercising its discretion in that way is reasonable. If such approval is given, the Condition in 3.1(c)(i) is deemed to be satisfied for all purposes.
- (d) If, prior to the Second Court Hearing:
 - (i) a matter, event or circumstance becomes known to Bidder that Bidder considers, would with the passage of time become a Material Adverse Change after the then scheduled Second Court Date; and
 - (ii) Bidder gives a written notice to APD setting out the relevant matter, event or circumstance,

the parties must promptly consult for at least 3 Business Days as to whether or not the matter, event or circumstance is reasonably likely to become a Material Adverse Change and the best endeavours that each party will undertake to ensure that a Material Adverse Change does not eventuate. If following such consultation, Bidder considers that the matter, event or circumstance would with the passage of time become a Material Adverse Change it may require APD to use all reasonable endeavours, including making or supporting any application, to defer the Second Court Hearing to a date nominated by Bidder which is up to 50 days after the previously scheduled Second Court Date (or to such later date reasonably requested by Bidder) provided at all times the date cannot be deferred beyond the day which is 2 Business Days before the End Date and following such deferral, the Timetable (including the Second Court Date) is to be adjusted accordingly.

- (e) If Bidder requests or requires a deferral or deferrals of the Second Court Hearing under clause 3.5(d) which are, in aggregate, longer than 30 days, APD may terminate this deed by notice in writing to Bidder.

3.6 Certain notices

If a party becomes aware:

- (a) that any Condition has been satisfied; or
- (b) of any fact, matter or circumstance that has resulted, will result or is reasonably likely to result in:
 - (i) a Condition becoming incapable of satisfaction or otherwise not being satisfied in accordance with its terms;
 - (ii) a breach of a Warranty provided by that party under this deed or such a Warranty ceasing to be true and correct in all material respects; or
 - (iii) a material breach of this deed by that party,

it must promptly notify the other parties in writing and provide such evidence or details as may be reasonably requested by another party.

4 Implementation steps and Scheme Booklet

4.1 APD obligations

Subject to any change of recommendation by the APD Board that is permitted by clause 2.3, APD must take all steps reasonably necessary to implement the Schemes as soon as is reasonably practicable and use all reasonable endeavours to do so in accordance with the Timetable and otherwise on and subject to the terms of this deed. Without limiting the foregoing, APD must:

- (a) **Independent Expert:** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report (including any updates to it);
- (b) **Preparation of Scheme Booklet:**
 - (i) prepare the Scheme Booklet (other than the Bidder Information and the Independent Expert's Report) in accordance with applicable laws, including

the Corporations Act and Corporations Regulations, ASIC Regulatory Guide 60, ASIC Regulatory Guide 74, Takeovers Panel guidance notes and the Listing Rules;

- (ii) include in the Scheme Booklet a statement by the APD Board that:
 - (A) the APD Board unanimously recommends to APD Securityholders that they vote in favour of the resolutions to approve the Schemes; and
 - (B) each APD Board member who has a Relevant Interest in any APD Securities intends to cause any such APD Securities to be voted in favour of the resolutions to approve the Schemes,

in each case, subject to the Independent Expert continuing to conclude that the Schemes are in the best interests of APD Securityholders and there being no Superior Proposal; and

- (iii) provide Bidder with successive drafts of the Scheme Booklet, including an advanced draft of the Scheme Booklet within a reasonable time before the draft of the Scheme Booklet is provided to ASIC, and consider in good faith any reasonable comments promptly provided by or on behalf of Bidder in a timely manner, provided that, in respect of the Independent Expert's Report, any such comments must be limited to matters of factual accuracy and APD makes no representation, and gives no assurance, as to the extent to which such comments will be considered or incorporated by the Independent Expert;

(c) **Lodgement of Scheme Booklet:**

- (i) no later than 14 days before the First Court Date, provide an advanced draft of the Scheme Booklet to ASIC for its review for the purposes of section 411(2) of the Corporations Act and ASIC Regulatory Guide 74; and
- (ii) keep Bidder reasonably informed of any material issues raised by ASIC in relation to the Scheme Booklet and, where practical to do so, consult with Bidder in good faith prior to taking any steps to address such issues (provided that, where those issues relate to Bidder Information, APD must not take any steps to address them without Bidder's prior written consent, not to be unreasonably withheld or delayed);

(d) **Approval of Scheme Booklet:** procure that a meeting of the APD Board (or a sub-committee thereof) is convened to consider approving the despatch of the Scheme Booklet to APD Securityholders, subject to orders of the Court under section 411(1) of the Corporations Act and the Scheme Booklet being registered by ASIC;

(e) **No objection statement:** apply to ASIC for:

- (i) a letter stating that ASIC does not intend to appear at the First Court Hearing; and
- (ii) a statement under section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the APN PG Scheme;

(f) **ASIC Relief:** apply to ASIC for the ASIC Relief to implement the Trust Scheme;

- (g) **First Court Hearing:** apply to the Court for orders under section 411(1) of the Corporations Act directing APD to convene the APN PG Scheme Meeting and seek the First Judicial Advice;
- (h) **Approval and registration of Scheme Booklet:** request that ASIC register the Scheme Booklet in relation to the APN PG Scheme in accordance with section 412(6) of the Corporations Act;
- (i) **Despatch:** as soon as reasonably practicable after:
 - (i) the Court orders APD to convene the APN PG Scheme Meeting and provides the First Judicial Advice; and
 - (ii) the Scheme Booklet is registered by ASIC,
 despatch the Scheme Booklet to APD Securityholders;
- (j) **Supplementary disclosure:** if, after despatch of the Scheme Booklet, APD becomes aware:
 - (i) that information included in the Scheme Booklet is or has become misleading or deceptive in any material respect (whether by omission or otherwise); or
 - (ii) of information that is required to be disclosed to APD Securityholders under any applicable law but was not included in the Scheme Booklet,
 promptly consult with Bidder as to the need for, and the form of, any supplementary disclosure to APD Securityholders and make any supplementary disclosure to APD Securityholders that APD considers reasonably necessary in the circumstances (having regard to any reasonable comments provided by Bidder in a timely manner);
- (k) **Promotion of Transaction:** participate in efforts reasonably requested by Bidder to promote the merits of the Transaction, including:
 - (i) meeting with key APD Securityholders (and facilitating meetings between Bidder and these key APD Securityholders); and
 - (ii) in consultation with Bidder, undertaking other reasonable investor engagement and proxy solicitation actions (with what is reasonable for these purposes being determined having regard to investor feedback, proxy results, market circumstances prevailing at the time and any views expressed by APD) to encourage APD Securityholders to vote on the Schemes in accordance with the recommendation of the APD Board, subject to applicable law and ASIC policy;
- (l) **APN PG Scheme Meeting:** convene and hold the APN PG Scheme Meeting to approve the APN PG Scheme in accordance with the orders made by the Court at the First Court Hearing;
- (m) **Trust Scheme Meeting:** convene and hold the Trust Scheme Meeting and put the Trust Scheme Resolutions to the Trust Unitholders;
- (n) **Conditions certificate:** at the Second Court Hearing, provide to the Court (through its counsel) a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions (other than the Condition in clause 3.1(d)) have been

satisfied or waived in accordance with clause 3, a draft of which must be provided to Bidder by 5:00pm on the Business Day prior to the Second Court Date;

- (o) **Second Court Hearing:** subject to the Conditions (other than the Condition in clause 3.1(d)) being satisfied or waived in accordance with clause 3, apply to the Court for orders under section 411(4)(b) of the Corporations Act approving the APN PG Scheme and seek the Second Judicial Advice;
- (p) **APD Trust Supplemental Deed:** conditional on the passing of the Trust Scheme Resolutions, execute the APD Trust Supplemental Deed;
- (q) **Court Documents:** prepare the Court Documents, provide drafts of those documents to Bidder and consider in good faith any reasonable comments promptly provided by or on behalf of Bidder;
- (r) **Bidder representation at Court Hearings:** allow, and not oppose, any application by Bidder for leave of the Court to be represented by counsel at a Court Hearing;
- (s) **Lodgement:** lodge with ASIC:
 - (i) for the purposes of section 411(10) of the Corporations Act, an office copy of the orders made by the Court under section 411(4)(b) of the Corporations Act approving the APN PG Scheme; and
 - (ii) the duly executed APD Trust Supplemental Deed,before 5:00pm on the Business Day immediately following the day on which it receives an office copy of the court orders;
- (t) **Security Register:** close the Security Register as at the Record Date to determine the identity of the APN PG Scheme Participants and the Trust Scheme Participants and to determine their entitlements to the Scheme Consideration in accordance with the Schemes;
- (u) **Instruments of transfer:** if the Schemes become Effective, and subject to Bidder having provided the Aggregate Scheme Consideration in the manner contemplated by clause 2.2(b)(ii):
 - (i) execute proper instruments of transfer necessary to effect the transfer of the Scheme Securities to Bidder in accordance with the Schemes; and
 - (ii) register all transfers of Scheme Securities held by APN PG Scheme Participants and Trust Scheme Participants to Bidder in accordance with the Schemes;
- (v) **Quotation of APD Securities and ASX listing:** apply to ASX to have:
 - (i) trading in APD Securities suspended from the close of trading on the Effective Date; and
 - (ii) APD removed from the official list of ASX, and quotation of APD Securities on ASX terminated, by the close of trading on the trading day immediately following the Implementation Date, or such later date as may be:
 - (A) requested by Bidder, acting reasonably; and
 - (B) consented to by ASX.

- (w) **Compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with the terms of this deed and applicable laws.

4.2 Bidder obligations

Bidder must take all steps reasonably necessary to implement the Schemes as soon as is reasonably practicable and use all reasonable endeavours to do so in accordance with the Timetable and otherwise on and subject to the terms of this deed. Without limiting the foregoing, Bidder must:

- (a) **Prepare Bidder Information:** as soon as practicable after the date of this deed:
 - (i) prepare the Bidder Information for inclusion in the Scheme Booklet in accordance with all applicable laws, including the Corporations Act and Corporations Regulations, ASIC Regulatory Guide 60, ASIC Regulatory Guide 74, Takeovers Panel guidance notes and the Listing Rules; and
 - (ii) provide APD with drafts of the Bidder Information and consider in good faith any reasonable comments provided by or on behalf of APD in a timely manner;
- (b) **Final form of Bidder Information:** provide to APD the Bidder Information (including drafts thereof) in a form appropriate for inclusion in the Scheme Booklet;
- (c) **Assistance with Scheme Booklet and Court Documents:** provide any assistance or information reasonably requested by APD or its Representatives in connection with the preparation of the Scheme Booklet (including any supplementary disclosure to APD Securityholders) or any Court Documents, including reviewing drafts of the Scheme Booklet and Court Documents provided by or on behalf of APD and promptly providing comments in good faith;
- (d) **Independent Expert's Report:** provide any assistance or information reasonably requested by APD or its Representatives, or by the Independent Expert, in connection with the preparation of the Independent Expert's Report;
- (e) **Confirmation of Bidder Information:** prior to 5:00pm on the Business Day prior to the First Court Date, confirm in writing to APD that:
 - (i) it consents to the inclusion of the Bidder Information in the Scheme Booklet, in the form and context in which the Bidder Information appears;
 - (ii) the Bidder Information is accurate and not misleading or deceptive in any material respect (whether by omission or otherwise) and otherwise complies with all applicable laws, ASIC Regulatory Guide 60, ASIC Regulatory Guide 74, Takeovers Panel guidance notes and the Listing Rules; and
 - (iii) the Bidder Information is in a form appropriate for inclusion in the Scheme Booklet;
- (f) **Provide comments promptly:** promptly (having regard to the Timetable) provide comments on documents on which APD and Bidder are required to consult in accordance with clause 4.1(b) or 4.1(q) (including the Scheme Booklet and all Court Documents);
- (g) **Update Bidder Information:** promptly notify APD in writing if it becomes aware:

- (i) of information which should have been but was not included in the Bidder Information, and promptly provide APD with the omitted information; or
 - (ii) that the Bidder Information is or has become misleading or deceptive in any material respect (whether by omission or otherwise), or otherwise does not comply with applicable laws, ASIC Regulatory Guide 60, ASIC Regulatory Guide 74, Takeovers Panel guidance notes and the Listing Rules, and promptly provide APD with all information necessary to ensure the Bidder Information complies with applicable laws and is not false or misleading in any material respect (whether by omission or otherwise);
- (h) **Deed Poll:** execute the Deed Poll (and procure that Guarantor executes the Deed Poll), and deliver the fully executed Deed Poll to APD, in each case before 5:00pm on the date that is two Business Days before the First Court Date, and, if the Schemes become Effective, fully comply with the Deed Poll;
- (i) **Conditions certificate:** before 8:00am on the Second Court Date, provide to APD for provision to the Court at the Second Court Hearing a certificate confirming (in respect of matters within its knowledge) whether or not the Conditions (other than the Condition in clause 3.1(d)) have been satisfied or waived in accordance with clause 3, a draft of which must be provided to APD by 5:00pm on the Business Day before the Second Court Date;
- (j) **Representation at Court:** ensure that, if requested by APD, it is represented by counsel at the Court Hearings, and (if requested by the Court) undertake, through its counsel, to do all things within its power to ensure the fulfilment of its obligations under this deed and the Deed Poll;
- (k) **Scheme Consideration:** if the Schemes become Effective, pay or procure the payment of the Scheme Consideration in the manner and in the amount contemplated by clause 2.2(b)(ii), the terms of the Schemes and the Deed Poll;
- (l) **Security transfer:** if the Schemes become Effective, accept a transfer of the Scheme Securities as contemplated by clause 2.2(b)(i) and execute instruments of transfer in respect of the Scheme Securities as contemplated by clause 4.1(u);
- (m) **Promotion of Transaction:** participate in efforts reasonably requested by APD to promote the merits of the Transaction, including:
 - (i) meeting with key APD Securityholders and key investors in the Managed Funds or any other investment vehicle or asset managed by a member of the APD Group where requested by APD; and
 - (ii) providing APD with such information and assistance as APD reasonably requests to enable it to promote the merits of the Transaction; and
- (n) **Compliance with laws:** do everything reasonably within its power to ensure that the Transaction is effected in accordance with the terms of this deed and applicable laws.

4.3 Scheme Booklet

- (a) If Bidder and APD are unable to agree on the form or content of a particular part of the Scheme Booklet (other than the Independent Expert's Report), then:
 - (i) if the relevant part of the Scheme Booklet is Bidder Information, APD will make such amendments to that part of the Scheme Booklet as required by Bidder (acting reasonably and in good faith); and
 - (ii) in any other case, APD (acting reasonably and in good faith) will decide the form and content of that part of the Scheme Booklet.
- (b) Bidder and APD agree that the Scheme Booklet will contain a responsibility statement to the effect that:
 - (i) APD has prepared and is responsible for the APD Information contained in the Scheme Booklet, and none of Bidder or its Related Bodies Corporate or their respective directors, officers or employees assumes any responsibility or liability for the accuracy or completeness of the APD Information;
 - (ii) Bidder has prepared and is responsible for the Bidder Information contained in the Scheme Booklet, and none of APD or its Related Bodies Corporate or their respective directors, officers or employees assumes any responsibility or liability for the accuracy or completeness of the Bidder Information; and
 - (iii) the Independent Expert has prepared and is responsible for the Independent Expert's Report, and none of Bidder or its Related Bodies Corporate or their respective directors, officers or employees, nor APD or its Related Bodies Corporate or their respective directors, officers or employees, assumes any responsibility or liability for the accuracy or completeness of the Independent Expert's Report.

4.4 CGT Withholding

- (a) Notwithstanding any other provision of this deed, if Bidder determines (acting reasonably and in good faith) that an amount is required to be withheld under Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (**Subdivision 14-D**) from the Scheme Consideration payable to an APN PG Scheme Participant or a Trust Scheme Participant, Bidder:
 - (i) may withhold and remit to the ATO such amounts of the Scheme Consideration payable to that APN PG Scheme Participant or a Trust Scheme Participant that it is required to withhold and remit to the ATO under Subdivision 14-D (**CGT Withholding Amount**); and
 - (ii) is taken to have paid the CGT Withholding Amount to the APN PG Scheme Participant or a Trust Scheme Participant for the purposes of this document and the Scheme, provided that:
 - (A) the Bidder has given APD, no later than 1 Business Day after the Record Date, information which is to APD's satisfaction (acting reasonably), and which identifies the reasons as to why a liability arises under Subdivision 14-D, and the basis of the calculation of the CGT Withholding Amount;
 - (B) APD has not, at least 2 Business Days prior to the Implementation Date, given information to Bidder which demonstrates that the CGT

Withholding Amount should be nil or such other amount determined under a Valid Variation Notice; and

- (c) Bidder has provided each relevant APN PG Scheme Participant or a Trust Scheme Participant with the payment confirmation received from the Australian Taxation Office in respect of the amount withheld and remitted.
- (b) In determining the amount of the CGT Withholding Amount under clause 4.4(a)(i), Bidder agrees that it will:
 - (i) consult with APD in good faith as to the application of Subdivision 14-D to the Schemes;
 - (ii) take all actions that APD may reasonably request which may include promptly communicating with any relevant APN PG Scheme Participant or a Trust Scheme Participant to obtain a Valid Variation Notice or Withholding Declaration so as to reduce or eliminate the CGT Withholding Amount in respect of the APN PG Scheme Participant or Trust Scheme Participant.

5 Permitted Distribution

5.1 Permitted Distribution

- (a) Notwithstanding any other provision of this deed, APD may:
 - (i) (in its absolute discretion) declare and pay to APD Securityholders an interim distribution of up to 1.5 cents per APD Security in respect of the 6 months ended 30 June 2021 (**Permitted Distribution**); and
 - (ii) if the Schemes have not become Effective by 30 September 2021, declare and pay to APD Securityholders a further interim distribution of up to 0.9 cents per APD Security (**Further Distribution**) subject to there being available distributable earnings to make the payment.
- (b) The Permitted Distribution and any Further Distribution may (in APD's absolute discretion) be partially or fully franked, provided that the APD franking account must not fall into deficit upon payment of the Permitted Distribution and/or any Further Distribution.
- (c) The Scheme Consideration will be reduced by the cash amount of the Permitted Distribution that is declared and paid to APD Securityholders on or before the Implementation Date.
- (d) APN RE shall attribute all of the determined trust components as defined in section 276-255 of the Income Tax Assessment Act 1997 in respect of the income year ending 30 June 2021 to the unitholders of APD during that income year on a fair and reasonable basis with a view to ensuring that APN RE is not liable to tax under Subdivision 276-G of the Income Tax Assessment Act 1997.
- (e) APN RE shall not determine that any amount is payable in respect of the management units held by APN PG and shall not attribute any of the determined trust components as defined in section 276-255 of the Income Tax Assessment Act 1997 in respect of the income year ending 30 June 2021 to APN PG unless otherwise agreed.

5.2 Distribution reinvestment plan

APD agrees that the operation of its distribution reinvestment plan will continue to be suspended.

6 Conduct of business and transitional matters

6.1 Conduct of business

- (a) Subject to clause 6.1(b), from the date of this deed up to and including the Implementation Date, APD must:
 - (i) procure that the business of the APD Group is conducted:
 - (A) in the ordinary course substantially consistent with the business plans and Budget disclosed to Bidder; and
 - (B) in a manner substantially consistent with the manner in which such business has been conducted in the 12 months prior to the date of this deed (save to the extent that the business plans and Budget in the Disclosure Material contemplated that the business of the APD Group would be conducted otherwise than in such manner, in which case APD must procure that the business of the APD Group is conducted in a manner which is substantially consistent with such business plans and Budget);
 - (ii) make reasonable efforts to:
 - (A) retain the services of the Key Management Personnel; and
 - (B) maintain and preserve the APD Group's relationships with material customers and suppliers and others with whom the APD Group has material business dealings; and
 - (iii) subject to APD's obligations under clause 6.9, take such reasonable steps as are within its control to maintain the APD Group's management rights in relation to the Managed Funds;
 - (iv) subject to APD's obligations under clause 6.9, not take any action within its control which will, or is reasonably likely to, result in or contribute to any member of the APD Group ceasing to have management rights in relation to the Managed Funds;
 - (v) maintain and, if necessary, take such steps as are within its control to renew, and procure that each other member of the APD Group maintains, and if necessary, take such steps as are within its control to renew:
 - (A) each of their respective insurance policies and promptly notifies Bidder if any renewal proposal is not accepted by the insurer or if the insurer requests a material adjustment to any policy in effect or under negotiation on and from the Implementation Date; and
 - (B) each of the licences, permits, consents, authorisations and approvals necessary to conduct the APD Group's business and promptly notifies Bidder if any renewal proposal is not accepted by the relevant Government Agency or if any relevant Government Agency notifies a

member of the APD Group of an intention not to renew a licence, permit, consent, authorisation or approval necessary for the conduct of its business;

(vi) procure that no member of the APD Group:

- (A) announces, declares, pays or distributes any distribution or other share of its profits or assets, other than the Permitted Distribution or where the payment or distribution is made to a member of the APD Group to enable the Permitted Distribution and/or Further Distribution to be declared and paid;
- (B) makes any change to its constitution;
- (C) takes any action that could reasonably be expected to give rise to a Prescribed Occurrence;
- (D) accepts as a compromise of a matter less than the full compensation due to a member of the APD Group where the financial impact of the compromise on the APD Group is more than \$1 million;
- (E) waives any material Third Party or related party default where the financial impact on the APD Group will be in excess of \$1 million (individually or in aggregate);
- (F) makes any commitment or pays any amount which leads to current or future expenditure that is, in aggregate, in excess of 10% of the amounts specified in the Budget;
- (G) acquires or disposes of any securities, business or assets having a value in excess of \$2 million, other than to or from another member of the APD Group;
- (H) makes a commitment to, or incurs, capital expenditure of more than \$2 million in one transaction or a series of related transactions;
- (I) incurs financial indebtedness by way of new borrowings of an amount exceeding \$10 million (excluding any borrowings advanced by a member of the APD Group and any extension or replacement of an existing debt facility of the APD Group on terms substantially similar to the terms of such debt facility as at the date of this deed, and excluding, for the avoidance of doubt, any indebtedness under or in connection with the APD Group's existing debt facilities or private placement notes, or the APD Group's hedging arrangements);
- (J) enters into, materially varies or terminates any contract under which the APD Group would receive revenue, or make expenditure, of more than \$1 million on an annual basis;
- (K) terminates the employment of any Key Management Personnel or materially varies the terms of employment of any Key Management Personnel (other than increases of remuneration as part of remuneration reviews conducted in the ordinary course and consistent with past practice);
- (L) employs any person having a total fixed annual remuneration of more than \$250,000;

- (M) increases the remuneration of (including with regard to superannuation benefits) or benefits provided to, or pay any bonus (other than in accordance with existing arrangements and in the ordinary course) to, or any pay termination or retention payments to, or issue any securities or options to, or otherwise materially vary the employment agreements with, any directors or employees, other than:
 - (aa) as a result of annual remuneration reviews in accordance with past practice or as a result of promotions in the ordinary course; or
 - (ab) as provided for in a contract or other arrangement Fairly Disclosed to Bidder;
 - (N) causes any APD Rights to vest or become payable other than in accordance with the terms of such APD Rights as at the date of this deed or in accordance with clause 6.5;
 - (O) makes a material change to any accounting method, practice or principle used by it, other than as a result of changes in generally accepted accounting standards or generally accepted accounting principles or the interpretation of any of them;
 - (P) makes any material tax election or settle or compromise any material liability relating to tax;
 - (Q) settles any legal proceedings, claim, investigation, arbitration or other like proceeding where the settlement amount exceeds \$1 million; or
 - (R) agrees to do any of the matters set out in clauses 6.1(a)(vi)(A) to 6.1(a)(vi)(Q) (inclusive).
- (b) Nothing in clause 6.1(a) restricts any member of the APD Group from doing or not doing (or agreeing to do or not do) anything which:
- (i) is required by any applicable law or is a compulsory direction of a Government Agency empowered to make such a direction (such laws and directions including any administrative orders in relation to COVID-19 or other epidemics or pandemics);
 - (ii) is required or permitted by this deed or the Schemes or any transaction contemplated by either;
 - (iii) is required to pay any tax or duty when due from cash reserves or undrawn facilities existing at the date of this deed and/or Fairly Disclosed in the Disclosure Letter or the Disclosure Materials;
 - (iv) in the reasonable opinion of a member of the APD Group, is a necessary and prudent response to any emergency or disaster (including a situation giving rise to a risk of personal injury or damage to property);
 - (v) has been Fairly Disclosed in the Disclosure Materials or Disclosure Letter, or in any documents lodged with ASX or ASIC by or on behalf of APD in the two years before the date of this deed;
 - (vi) constitutes payment of Transaction costs and expenses incurred by APD including fees payable to external advisers of APD and costs of D&O

insurance under clause 6.8, up to the aggregate amount of such costs and expenses Fairly Disclosed in the Disclosure Letter; or

- (c) has been consented to in writing by Bidder (such agreement not to be unreasonably withheld or delayed, with any rejection following consultation between the Bidder and APD Group. In addition, Bidder must take into account the interests of the APD Group in deciding whether to give or withhold its consent). For the avoidance of doubt, nothing in clause 6.1(a) restricts the ability of APD to respond to a Competing Proposal in accordance with clause 7.
- (d) If APD requests Bidder's consent for the purposes of clause 6.1(c) and Bidder does not notify APD that it will not give the consent requested within two Business Days of the request being made, then Bidder will be deemed to have consented to the relevant matters the subject of the request.

6.2 Access

- (a) Subject to clauses 6.2(a)(iv) to 6.2(c), from the date of this deed until the Implementation Date, APD must use reasonable endeavours to procure that, subject to Bidder providing reasonable notice, Bidder is provided with reasonable access during normal business hours to information, premises and Key Management Personnel where Bidder reasonably requests such access for the sole purpose of:
 - (i) implementation of the Schemes;
 - (ii) facilitating Bidder to develop plans for APD's operations and business following implementation of the Schemes; or
 - (iii) any other purpose agreed with APD in writing,provided that:
 - (iv) information will be made available via a data room; and
 - (v) APD will not be required to provide access under clause 6.2(a) to the extent that doing so would:
 - (A) cause unreasonable disruption to the APD Group's business;
 - (B) result in any member of the APD Group breaching any applicable law or requirement of any Government Agency, or any obligation of confidentiality owed to a Third Party; or
 - (C) prejudice the interests of the APD Group (or any member thereof) or compromise legal privilege.
- (b) Nothing in clause 6.2(a) requires APD to provide any information:
 - (i) concerning its directors' and management's consideration of the Schemes;
 - (ii) any Competing Proposal; or
 - (iii) that is confidential information relating to any fund, trust, scheme or other entity that any member of the APD Group provides any management services to.

- (c) Any information provided by APD pursuant to clause 6.2(a) will be subject to the Confidentiality Agreement.

6.3 Material change of control consents

- (a) As soon as practicable following the date of this deed, APD and Bidder will use reasonable endeavours to identify any change of control or unilateral termination rights (or similar provisions) in any contract or other instrument to which a member of the APD Group is a party or bound and which:
 - (i) is material to the business of the APD Group (taken as a whole) and which will or is reasonably likely to be triggered by or exercised in response to the implementation of the Transaction; or
 - (ii) in respect of which either party considers (acting reasonably) that they should approach the relevant person to confirm no change of control consent is required.
- (b) In respect of those contracts or instruments:
 - (i) APD and Bidder will agree a proposed approach (which, among other things, will have due regard to applicable legal restrictions) and then APD will initiate contract, including joint discussions if required, with the relevant parties and request that they provide any consents or confirmations required or appropriate (which may include a request for a confirmation that a consent is not required);
 - (ii) Bidder must not, and must procure that its Related Bodies Corporate and Representatives do not, contact or hold discussions with any party from whom a consent or confirmation is required without APD present or without the prior written consent of APD (which is not to be unreasonably withheld, conditioned or delayed); and
 - (iii) APD must cooperate with, and provide reasonable assistance to, Bidder to obtain such consents or confirmations as expeditiously as possible, including by promptly providing any information reasonably required by relevant parties, provided that nothing in this clause 6.3(b)(iii) will require APD to incur any material expense.
- (c) To avoid doubt, a failure to obtain any change of control consent (or similar) or other confirmation contemplated by this clause 6.3 will not of itself constitute a breach of this deed by APD nor a failure of any Condition. Any such failure, together with any consequences that arise, will be disregarded when assessing the operation of any other provision of this deed.

6.4 Transition Committee

- (a) On and from the date of this deed, APD and Bidder agree to establish a committee (**Transition Committee**) initially comprising the following individuals:
 - (i) as representatives of APD, Tim Slattery and Joseph De Rango; and
 - (ii) as representatives of Bidder, Melanie Bourke and Ashlea Borean.
- (b) The role of the Transition Committee will be to act as a forum for discussion and planning (including, where applicable, in relation to communications with key stakeholders), but not decision making, in relation to overseeing the progress of the

Transaction in accordance with this deed and assisting with the eventual transition of the control of APD to Bidder upon the Schemes becoming Effective.

- (c) Without limiting clause 6.4(b), the matters considered by the Transition Committee will include:
 - (i) the progress of the parties in implementing the Schemes in the manner contemplated by clauses 4.1 and 4.2;
 - (ii) the manner of the conduct of the business of the APD Group;
 - (iii) the strategy for engagement with employees, APD Securityholders and other key stakeholders (including key investors in the Managed Funds and other investment vehicles or asset managed by a member of the APD Group) Government Agencies and key contractual counterparties);
 - (iv) transition of business operations and functions or processes; and
 - (v) the process for obtaining material change of control consents.
- (d) Any information provided to Bidder or Representatives of Bidder under this clause 6.4 will be subject to the Confidentiality Agreement.
- (e) The Transition Committee will meet:
 - (i) up to the date on which an advanced draft of the Scheme Booklet is provided to ASIC for its review, at least weekly; and
 - (ii) from the date referred to in clause 6.4(e)(i), at least fortnightly,or on such shorter timeframes as APD and Bidder may agree.
- (f) Meetings may be held via telephone or other forms of technology that provide representatives with an opportunity to participate.
- (g) The members of the Transition Committee may agree to invite other persons to attend meetings of the Transition Committee from time to time (including the parties' respective legal and financial advisers).
- (h) Nothing in this clause 6.4:
 - (i) in any way, or to any extent, limits APD's conduct of the business of the APD Group;
 - (ii) requires APD to act at the direction of Bidder or imposes any obligation on APD to conduct the business of the APD Group in accordance with any direction or representation made by Bidder; or
 - (iii) requires any party to act or participate in any forum to the extent that doing so is contrary to law or the requirements of any Government Agency.
- (i) APD and Bidder agree and acknowledge that the respective businesses of the Bidder Group and the APD Group are to continue to operate independently until (and subject to) implementation of the Schemes.

6.5 Employee incentives

- (a) On or before the Implementation Date APD may pay (in the absolute discretion of the APD Board or any other person(s) delegated such authority by the APD Board) the short term incentives and other payments in respect of the financial year ended 30 June 2021 as contemplated by the Disclosure Letter, subject to the aggregate amount of such payments not exceeding the amounts specified in the Disclosure Letter.
- (b) APD must, prior to the Record Date, take such steps as are required (including, as applicable, applying for consents or waivers under the Listing Rules) to arrange that, subject to the Schemes becoming Effective:
 - (i) a maximum of 20,090,778 APD Rights vest and become APD Securities which are Scheme Securities;
 - (ii) subject to Bidder making relevant payments as contemplated by clause 6.5(c), the balance of the APD Rights, being no more than 20,090,778 APD Rights less the number of APD Rights vested as contemplated by clause 6.5(b)(ii), are cancelled and cash-settled; and
 - (iii) each outstanding Employee Share Scheme Loan will be repaid in full, which repayment may be made out of the Scheme Consideration in respect of the APD Securities to which such Employee Share Scheme Loan relates.
- (c) Subject to the Schemes becoming Effective, Bidder undertakes and warrants to APD (in APD's own right and separately as trustee for each relevant holder of APD Rights) that Bidder will pay, or procure the payment of, the amount to be paid to relevant holders of APD Rights in consideration for cancellation of such APD Rights as contemplated by clause 6.5(b)(ii), in cleared funds, into a trust account operated by APD as trustee for the relevant holders of APD Rights before 12 noon on the Business Day immediately before the Implementation Date. APD must notify Bidder of such amount no later than 5 Business Days before the Implementation Date.
- (d) To avoid doubt, Bidder acknowledges and agrees that, despite any other provision of this deed:
 - (i) the APD Board can exercise such discretions and authorise such actions and take such steps under the rules of the APD Employee Share Schemes and the APD Group's short term incentive plans (or otherwise) as it considers necessary or desirable to give effect to the arrangements and payments contemplated by clause 6.5(a)); and
 - (ii) no action or matter contemplated in this clause 6 will give rise to, or in any way contribute to, any breach of a Condition or any breach of any provision of this deed.

6.6 Resignation of directors

- (a) Subject to implementation of the Schemes in accordance with its terms including the Scheme Consideration having been paid to Scheme Securityholders, APD must procure that, with effect on and from the Implementation Date:
 - (i) those persons nominated by Bidder are appointed to the APD Board and/or the boards of other members of the APD Group, subject to:

- (A) such persons having duly signed consents to act as a director of the relevant member(s) of the APD Group; and
- (B) such consents to act having been provided to APD before the Effective Date; and
- (ii) those persons specified by Bidder resign as directors of APD and/or other members of the APD Group and provide written notice to the effect that they have no claim outstanding for loss of office, unpaid remuneration or otherwise in connection with their role as a director against a member of the APD Group.
- (b) Any nomination by Bidder under clause 6.6(a)(i) or 6.6(a)(ii) must be made by written notice to APD, and such notice must be given before the Effective Date.
- (c) Nothing in clause 6.6(a) requires any director of a member of the APD Group to forego any rights he or she may have:
 - (i) under any deed of access, indemnity and insurance or policy of directors' and officers' insurance entered into by any member of the APD Group; or
 - (ii) in his or her capacity as an employee of any member of the APD Group.

6.7 Deeds of access, indemnity and insurance

- (a) Subject to the Schemes becoming Effective, Bidder undertakes in favour of APD and each other person who is an APD Indemnified Party that it will:
 - (i) procure that APD and each member of the APD Group complies with any deeds of indemnity, access and insurance entered into by them in favour of their respective directors and officers from time to time, including to ensure that directors' and officers' run-off insurance cover for such directors and officers obtained in accordance with clause 6.8 is maintained (and APD may, at its election, pay any reasonable amounts necessary to ensure such maintenance upfront and prior to the implementation of the Schemes) for a period of seven years from the retirement date of each director and officer; and
 - (ii) for a period of seven years from the Implementation Date, ensure that the constitutions of APD and each other member of the APD Group continue to contain rules which are no less favourable overall than the rules contained in those constitutions at the date of this deed that provide for each company to indemnify each of its current and previous directors and officers against any liability incurred by that person in his or her capacity as a director or officer of the company to any person other than a member of the APD Group.
- (b) The undertakings contained in clause 6.7(a) are subject to any Corporations Act restriction and will be read down accordingly.
- (c) APD and the APD Directors receive and hold the benefit of clause 6.7(a) to the extent it relates to the other APD Indemnified Parties as trustee for them.
- (d) The undertakings contained in clause 6.7(a) are given until the earlier of the end of the relevant period specified in clause 6.7(a) or the relevant member of the APD Group ceasing to be part of the APD Group.

6.8 D&O insurance

Each party acknowledges that, notwithstanding any other provision of this deed, APD may, prior to the Implementation Date, enter into arrangements to secure and place a directors' and officers' or investment managers' run-off insurance policy in respect of any current or former director or officer of any member of the APD Group that applies for no less than a 7 year period following the Implementation Date.

6.9 Managed Funds

The parties agree that:

- (a) to the extent that any proposal is made before the Second Court Date which is likely to result in or contribute to any member of the APD Group ceasing to have management rights in relation to a Managed Fund, Bidder and APD must consult with each other, acting reasonably, for the purposes of preparing a plan to respond to such proposal, and each party must use best endeavours to respond to such proposal in a manner aimed at ensuring that the APD Group retains the relevant management rights; and
- (b) the obligation for the parties to consult in clause 6.9(a) will include APD taking into account any proposals put forward by Bidder for the purposes of assisting in the response to such a proposal; and
- (c) the Bidder will, in a manner and at a time that Bidder determines, acting reasonably, acquire a physical, derivative or other interest in APN Industria REIT (ASX:ADI) (**ADI**) stapled securities so that the Bidder and APD have an aggregate combined economic interest of at least 19.95% (including all securities in which they currently have voting power). Bidder agrees that if this deed is terminated it must offer any ADI stapled securities it holds (but capped at such number APD is permitted by law to acquire) to APD for a price per stapled security that reflects the then prevailing market price before it offers or disposes of those securities to any third party. Any offer must remain open for at least 10 Business Days. If APD does not accept the offer, Bidder must not transfer or otherwise dispose of any securities it holds to a third party for a price and terms which are more favourable to the third party than what it offered to APD.

7 Exclusivity

7.1 No existing discussions

APD represents and warrants that, other than the discussions with Bidder in respect of the Schemes, as at the date of this deed it is not in negotiations or discussions in respect of any Competing Proposal with any person and is not aware of such a Competing Proposal.

7.2 No-shop

During the Exclusivity Period, APD must not, and must ensure that its Representatives do not, directly or indirectly:

- (a) solicit, initiate, encourage or invite any Competing Proposal, or any enquiries, discussions, negotiations or proposals in relation to, or which may reasonably be expected to encourage or lead to, a Competing Proposal; or

- (b) communicate to any person any intention to do any of the things referred to in clause 7.2(a).

7.3 No-talk

Subject to clause 7.6, during the Exclusivity Period, APD must not, and must ensure that its Representatives do not:

- (a) participate in any discussions or negotiations, or enter into any agreement, arrangement or understanding, in relation to, or which may reasonably be expected to lead to, a Competing Proposal, even if:
 - (i) the Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by APD or any of its Representatives; or
 - (ii) the Competing Proposal has been publicly announced; or
- (b) communicate to any person any intention to do any of the things referred to in clause 7.3(a).

7.4 No due diligence

Subject to clause 7.6, without limiting clause 7.3, during the Exclusivity Period, APD must not, and must ensure that its Representatives and agents do not, make available to any Third Party, or permit any Third Party to receive, any non-public information relating to any member of the APD Group in connection with, or which may reasonably be expected to encourage or lead to, such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

7.5 Notification obligation

During the Exclusivity Period, APD must promptly notify Bidder if APD or (to the extent APD is aware) any of its Representatives:

- (a) receives a Competing Proposal, and such notice must set out the material terms and conditions of the Competing Proposal (including the price, the form of funding for the Competing Proposal and any conditions thereto and, subject to clause 7.6, the identity of the Third Party making the Competing Proposal) and any subsequent material modification of any material terms of, and other material details previously notified to Bidder in relation to, the Competing Proposal;
- (b) become aware of any approach or attempt to initiate any negotiations or discussions in relation to, or that may reasonably be expected to lead to, any Competing Proposal, and such notice must disclose the general nature of the approach;
- (c) receives any request for information relating to any member of the APD Group or any of their businesses or operations which APD has reasonable grounds to suspect may lead to a current or future Competing Proposal;

whether direct or indirect, solicited or unsolicited, and in writing or otherwise. If APD determines that the Competing Proposal is a Superior Proposal, APD must separately notify Bidder of that determination as soon as it is reasonably practicable to do so.

7.6 Fiduciary exception

- (a) Clauses 7.3, 7.4 and the obligation to disclose the identity of a Third Party making a Competing Proposal in clause 7.5 do not apply to the extent that they restrict any person from taking or not taking any action with respect to a bona fide Competing Proposal (which was not solicited, invited, encouraged or initiated in breach of clause 7.2) where the APD Board, acting in good faith, determines:
 - (i) after consultation with its financial adviser, that the Competing Proposal is, or could reasonably be expected to become, a Superior Proposal; and
 - (ii) after receiving advice from its external legal adviser, that failing to respond to the Competing Proposal would, or would be likely to, constitute a breach of the APD Directors' fiduciary or statutory duties.
- (b) If clause 7.6(a) applies to APD's obligation to disclose the identity of a Third Party making a Competing Proposal in clause 7.5, APD must instead provide the Bidder with reasonable details of the category or type of Third Party making the Competing Proposal.

7.7 Matching right

- (a) Without limiting clauses 7.2 or 7.3, APD must:
 - (i) not, and must procure that each of its Related Bodies Corporate do not, enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a third party, APD or both proposes or propose to undertake or give effect to a Competing Proposal (other than, for the avoidance of doubt, non-disclosure agreements); and
 - (ii) procure that no APD Director publicly changes or withdraws his or her recommendation in favour of the Schemes to publicly recommend a Competing Proposal (or publicly recommends against the Scheme),

unless:
 - (iii) the APD Board has determined, acting in good faith and after consultation with its financial adviser, that the Competing Proposal is a Superior Proposal;
 - (iv) APD has provided Bidder with the material terms and conditions of the Competing Proposal (including price, the identity of the Third Party making the Competing Proposal, form of consideration, proposed deal protection provisions, any break or reimbursement fee, proposed timing and any conditions precedent) and has confirmed that, subject to the operation of this clause 7.5, it intends to enter into an agreement to give effect to the Competing Proposal; and
 - (v) within five Business Days after the date on which Bidder receives the information referred to in clause 7.7(a)(iv), Bidder does not provide to APD a counterproposal (**Bidder Counterproposal**) that the APD Board determines, acting in good faith and after consultation with its financial adviser, would produce an equivalent or superior outcome for APD Securityholders as compared to the outcome that would be produced by the Competing Proposal, taking into account all of the terms and conditions of the Bidder Counterproposal and the basis on which it was made.

- (b) If Bidder makes a Bidder Counterproposal before the deadline specified in clause 7.7(a)(v), and the APD Board has determined that such Bidder Counterproposal would produce an equivalent or superior outcome for APD Securityholders as compared to the outcome that would be produced by the Competing Proposal, taking into account all of the terms and conditions of the Bidder Counterproposal and the basis on which it was made, then:
 - (i) Bidder and APD must each use reasonable endeavours to agree the transaction documentation required to implement the Bidder Counterproposal as soon as reasonably practicable; and
 - (ii) subject to such transaction document being so agreed, APD must use its best endeavours to procure that each member of the APD Board continues to recommend the Schemes (as modified by the Bidder Counterproposal) to APD Securityholders.
- (c) Any material modification to any Competing Proposal (which will include any modification relating to the price or value of any Competing Proposal or its funding) will be taken to make that proposal a new Competing Proposal in respect of which APD must comply with its obligations under this clause 7.7 again.

7.8 Normal provision of information

Nothing in this clause 7 prevents APD from:

- (a) providing information to:
 - (i) its Representatives or to any Government Agencies; or
 - (ii) its auditors, customers, financiers, joint venturers and suppliers acting in that capacity in the ordinary course of business;
- (b) fulfilling its continuous disclosure obligations; or
- (c) making presentations to, or responding to enquiries from, brokers, portfolio investors, analysts and other Third Parties in the ordinary course of business or for the purpose of promoting the merits of the Transaction.

8 Break Fees

8.1 Background

This clause 8 has been agreed to in circumstances where:

- (a) each party believes it and its securityholders will derive significant benefits from the implementation of the Schemes;
- (b) each party has incurred and will further incur significant costs in connection with the Schemes, which will include significant opportunity costs if the Schemes are not implemented;
- (c) each party has requested that provision be made for the payment outlined in clause 8.2 or 8.3 (as applicable), and would not have entered into this deed had such provision not been made;
- (d) the APD Board believes that:

- (i) it is reasonable and appropriate to agree to pay the Break Fee to secure Bidder's entry into this deed; and
- (ii) the Break Fee represents a genuine and reasonable estimate of costs that would be incurred by Bidder if the Schemes are not implemented; and
- (e) each party has received separate legal advice in relation to this deed and the operation of this clause 8.

8.2 Payment of Break Fee

Subject to clauses 8.5 and 8.6 and provided that APD is not entitled to terminate this deed or give a notice in accordance with clause 11.1 at the time of the relevant event, APD must pay Bidder the Break Fee, without set-off or withholding and within 10 Business Days after receipt of a written demand from Bidder, if any of the following events occur:

- (a) before the Second Court Date, an APD Director:
 - (i) fails to recommend that APD Securityholders vote in favour of the resolutions to approve the Schemes in the manner described in clause 2.3(a);
 - (ii) publicly changes or withdraws his or her recommendation that APD Securityholders vote in favour of the resolutions to approve the Schemes;
 - (iii) publicly withdraws or adversely changes his or her statement that he or she intends to vote (or procure the voting of) all APD Securities in which he or she holds a Relevant Interest in favour of the Schemes; or
 - (iv) publicly recommends a Competing Proposal,

other than where the Independent Expert has concluded that the Schemes are not or are no longer in the best interests of APD Securityholders (except in circumstances where the Independent Expert reaches that conclusion as a result of a Competing Proposal);
- (b) Bidder terminates this deed in accordance with clause 11.1(b); or
- (c) a Competing Proposal is publicly announced by a Third Party after the date of this deed and before the Second Court Date, and, within 9 months after such announcement, the Third Party making the Competing Proposal acquires all or a majority of the APD Securities or otherwise acquires Control of APD or all or substantially all of APD Group's business and undertakings.

8.3 Payment of Reverse Break Fee

Subject to clause 8.6, Bidder must pay APD the Reverse Break Fee, without set-off or withholding and within 10 Business Days after receipt of a written demand from APD, if APD terminates this deed in accordance with clause 11.1(b).

8.4 Nature of payment

The payment by a party under clauses 8.2 or 8.3 is an amount to compensate the other party for the following costs and expenses:

- (a) external advisory costs (excluding success fees);

- (b) internal costs such as costs of management and directors' time, risk management costs and capital costs;
- (c) out-of-pocket expenses; and
- (d) opportunity costs incurred in pursuing the Transaction or in not pursuing other alternative acquisitions or strategic initiatives which otherwise could have been developed.

The parties agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would equal or exceed the amount payable under clause 8.2 or 8.3 (as applicable).

8.5 Qualifications to Break Fee

- (a) No amount is payable by APD under this clause 8 if the Schemes become Effective.
- (b) This clause 8 imposes obligations on APD only to the extent that:
 - (i) the performance of those obligations is not declared by the Takeovers Panel to constitute unacceptable circumstances;
 - (ii) the agreement to pay a Break Fee does not breach the fiduciary or statutory duties of any APD Director; or
 - (iii) the performance of those obligations is not otherwise unlawful or held to be unenforceable by a court.

For the avoidance of doubt, any part of that fee that would not constitute 'unacceptable circumstances', that would not breach the fiduciary or statutory duties of any APD Director or that is not unenforceable or unlawful (as applicable) must be paid by APD.

- (c) If the Break Fee has been paid by APD and clause 8.5(a) or 8.5(b) applies, Bidder must reimburse all or the relevant part of the Break Fee (as the case may be) within 10 Business Days after receipt of a written demand for reimbursement from APD.
- (d) The parties must not make or cause or permit to be made any application to the Takeovers Panel or a court for or in relation to a determination referred to in clause 8.5(b)(i) or 8.5(b)(iii).

8.6 Other claims

- (a) Notwithstanding any other provision of this deed:
 - (i) the maximum aggregate amount which APD may be required to pay in relation to this deed (including in relation to any breach of this deed by APD) is the Break Fee, and in no event will the aggregate liability of APD under or in connection with this deed exceed the Break Fee; and
 - (ii) where the Break Fee is paid to Bidder in accordance with clause 8.2, neither Bidder nor any of its Related Bodies Corporate may make any claim (of whatsoever nature) against APD or any other APD Indemnified Party under or in connection with this deed.

- (b) Subject to clause 8.6(c):
 - (i) the maximum aggregate amount which Bidder may be required to pay in relation to this deed (including in relation to any breach of this deed by Bidder) is the Reverse Break Fee, and in no event will the aggregate liability of Bidder under or in connection with this deed exceed the Reverse Break Fee; and
 - (ii) where the Reverse Break Fee is paid to APD in accordance with clause 8.3, neither APD nor any of its Related Bodies Corporate may make any claim (of whatsoever nature) against Bidder or any other Bidder Indemnified Party under or in connection with this deed.
 - (c) Clause 8.6(b) does not apply to any claim in respect of, and does not limit the liability of Bidder or Guarantor in connection with, any failure to perform the Deed Poll or to fully discharge the obligations under clause 2.2(b)(ii). For the avoidance of doubt, any amounts paid or payable by Bidder or Guarantor in respect of any such failure shall be disregarded for the purposes of clause 8.6(b).
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9 Warranties

9.1 APD Warranties

APD represents and warrants to Bidder each of the APD Warranties.

9.2 APD's indemnity

APD agrees to indemnify Bidder against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising that Bidder or any of the other Bidder Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the APD Warranties.

9.3 Bidder Warranties

Bidder represents and warrants to APD each of the Bidder Warranties.

9.4 Bidder's indemnity

Bidder agrees to indemnify APD against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising that APD or any of the other APD Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the Bidder Warranties.

9.5 Guarantor Warranties

Guarantor represents and warrants to APD each of the Guarantor Warranties.

9.6 Guarantor's indemnity

Guarantor agrees to indemnify APD against any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising that APD or any of the other APD Indemnified Parties suffers, incurs or is liable for arising out of any breach of any of the Guarantor Warranties.

9.7 Qualifications on APD Warranties

- (a) The APD Warranties and the indemnity in clause 9.2 are each subject to matters that:
 - (i) are required or permitted by this deed or the Schemes or any transaction contemplated by either;
 - (ii) have been Fairly Disclosed in the Disclosure Letter or Disclosure Materials, or in any documents lodged with ASX or ASIC by or on behalf of APD in the two years before the date of this deed; or
 - (iii) are within the actual knowledge of Bidder or any of its Related Bodies Corporate as at the date of this deed, or would have been within the actual knowledge of any such person as at the date of this deed had such person made all reasonable enquiries in the circumstances.
- (b) Any APD Warranties that are subject to the awareness, knowledge or belief of APD are given solely by reference to the actual knowledge of the Key Management Personnel as at the date of this deed and the knowledge, belief or awareness that such persons ought to have had at the date of this deed if each such persons had made all reasonable enquiries in the circumstances of those employees of the APD Group who report directly to them.

9.8 Survival of Warranties

Each Warranty:

- (a) is severable;
- (b) survives the termination of this deed; and
- (c) subject to this deed, is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this deed.

9.9 Survival of indemnities

Each indemnity in this deed (including those in clauses 9.2, 9.4 and 9.6):

- (a) is severable;
- (b) is a continuing obligation;
- (c) constitutes a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this deed; and
- (d) survives the termination of this deed.

9.10 Timing of Warranties

Each Warranty is given:

- (a) at the date of this deed;
- (b) at the date the Scheme Booklet is despatched to APD Securityholders; and

- (c) at 8:00am on the Second Court Date,

unless such Warranty is expressed to be given at a particular time, in which case it is given at that time.

10 Releases

10.1 Release of APD Indemnified Parties

- (a) Subject to clause 10.1(b), each of Bidder and Guarantor releases any and all rights that it has or may have or that may otherwise accrue to it after the date of this deed, and agrees with APD that it will not make any claim (of whatsoever nature), against any APD Indemnified Party (other than APD) as at the date of this deed in connection with:
- (i) any breach of any covenant, representation or warranty given by APD under this deed;
 - (ii) any disclosures or information provided in connection with this deed or the Schemes containing any statement which is false or misleading (whether by omission or otherwise); or
 - (iii) any failure to provide information in connection with this deed or Schemes,
- except where such APD Indemnified Party has engaged in fraud or wilful misconduct.
- (b) The releases in clause 10.1(a) are subject to any restriction imposed by law and will be read down to the extent that any such restriction applies.
- (c) APD receives and holds the benefit of clause 10.1(a) as trustee for each other APD Indemnified Party.

10.2 Release of Bidder Indemnified Parties

- (a) Subject to clause 10.1(b), APD releases any and all rights that it has or may have or that may otherwise accrue to it after the date of this deed, and agrees with Bidder that it will not make any claim (or whatsoever nature), against any Bidder Indemnified Party (other than Bidder) as at the date of this deed in connection with:
- (i) any breach of any covenant, representation or warranty given by Bidder under this deed;
 - (ii) any disclosures or information provided in connection with this deed or the Schemes containing any statement which is false or misleading (whether by omission or otherwise); or
 - (iii) any failure to provide information in connection with this deed or Schemes,
- except where such Bidder Indemnified Party has engaged in fraud or wilful misconduct.
- (b) The releases in clause 10.2(a) are subject to any restriction imposed by law and will be read down to the extent that any such restriction applies.

- (c) Bidder receives and holds the benefit of clause 10.2(a) as trustee for each other Bidder Indemnified Party.

11 Termination

11.1 Termination by APD or Bidder

- (a) APD or Bidder may terminate this deed at any time before 8:00am on the Second Court Date in accordance with clause 3.5.
- (b) APD or Bidder may terminate this deed at any time before 8:00am on the Second Court Date if Bidder or Guarantor (where APD is the terminating party), or APD (where Bidder is the terminating party), commits a material breach of this deed (including the Warranties), provided that:
 - (i) the terminating party has given written notice to the other parties setting out the relevant circumstances and stating an intention to terminate this deed; and
 - (ii) the relevant circumstances have not been remedied to the reasonable satisfaction of the terminating party within 10 Business Days from the date such notice is given (or any shorter period ending at 5:00pm on the Business Day immediately before the Second Court Date).
- (c) Termination under clause 11.1(b) will take effect at the expiry of the period referred to in clause 11.1(b)(ii).

11.2 Termination by Bidder

Bidder may terminate this deed by notice in writing to APD at any time before 8:00am on the Second Court Date if any APD director:

- (a) fails to recommend the Schemes before the Second Court Date;
- (b) publicly withdraws or changes his or her recommendation that APD Securityholders vote in favour of the resolutions to approve the Schemes or publicly recommends a Competing Proposal.

11.3 Termination by APD

APD may terminate this deed by notice in writing to Bidder at any time before 8:00am on the Second Court Date if a majority of the APD Board withdraws its recommendation that APD Securityholders vote in favour of the resolutions to approve the Schemes in the manner permitted by clause 2.3(c) or 2.3(d), provided that, before any such termination APD pays the Break Fee if required under clause 8.2(a)(ii) as a result of such withdrawal.

11.4 Effect of termination

If this deed is terminated in accordance with this clause 11, this deed will cease to have force and effect without any liability or obligation on the part of any party, except that:

- (a) this clause 11 and clauses 1, 8, 9, 10 and 12.1 through 18 (inclusive) will survive termination; and

- (b) each party will retain any rights and remedies that accrued prior to termination, including any rights and remedies in respect of any past breach of this deed or (if applicable) in respect of the breach giving rise to termination.

12 Public announcements

12.1 Announcement of the Transaction

- (a) Immediately after execution of this deed:
 - (i) APD must issue a public announcement; and
 - (ii) Guarantor must issue a public announcement,in each case in the form set out at Attachment E.

12.2 Other public announcements

- (a) Subject to clause 12.2(b), each party must:
 - (i) prior to making any public announcement or disclosure of or in relation to the Transaction or any other transaction the subject of this deed or the Schemes, to the extent reasonably practicable and lawful, consult with the other party as to the timing, form and content of that announcement or disclosure, including by giving the other party a reasonable opportunity to review the draft and taking into account all reasonable comments from them on the draft; and
 - (ii) not make any such public announcement or disclosure prior to such consultation, except as may be required by applicable law or by the Listing Rules.
- (b) Clause 12.2(a) does not apply in relation to any public announcement relating to termination of this deed or any Competing Proposal.

13 Confidentiality

- (a) APD and Guarantor acknowledge and agree that they continue to be bound by the Confidentiality Agreement, provided that:
 - (i) this deed prevails to the extent of any inconsistency with the Confidentiality Agreement; and
 - (ii) notwithstanding any provision of this deed or the Confidentiality Agreement, APD will not be required to consult with Guarantor in relation to any public announcement relating to termination of this deed or any Competing Proposal.
- (b) The rights and obligations of the parties under the Confidentiality Agreement survive termination of this deed

14 Guarantee and indemnity

14.1 Guarantee

In consideration of APD executing this deed at the request of Bidder and Guarantor, Guarantor unconditionally and irrevocably:

- (a) guarantees to APD the due and punctual performance and observance by Bidder of all of the obligations contained in, or implied under, this deed and the Deed Poll (including the obligation to pay or procure the payment of the Aggregate Scheme Consideration in accordance with clause 2.2(b)(ii)) that must be performed and observed by Bidder (**Guaranteed Obligations**); and
- (b) as a separate and additional liability, agrees to indemnify APD against, and pay to APD on demand the full amount of, any claim, action, damage, loss, liability, cost, expense or payment of whatever nature and however arising that APD suffers, incurs or is liable for arising out of any default or delay by Bidder in the due and punctual performance and observance by Bidder of any of the Guaranteed Obligations.

14.2 Extent of guarantee

- (a) Guarantor will be responsible to APD for the performance of the Guaranteed Obligations by Bidder in the same manner as if Guarantor were a party to this deed or the Deed Poll in the place of Bidder.
- (b) The liability of Guarantor under this clause 14 is not affected by any act, omission or other thing which, but for this clause 14.2(b), might otherwise affect it in law or in equity or operate to release or exonerate Guarantor in whole or in part from its obligations, including one or more of the following:
 - (i) any amendment of this deed (other than to the terms of this clause 14.2);
 - (ii) a rule of law or equity to the contrary;
 - (iii) an Insolvency Event affecting a person;
 - (iv) a change in the constituent documents, membership or partnership of a person;
 - (v) the partial performance of the Guaranteed Obligations;
 - (vi) the Guaranteed Obligations not being enforceable at any time;
 - (vii) APD granting any time or other indulgence, waiver, consent or concession to, or reaching any settlement or compromise with, Bidder, Guarantor or any other person from any liability or obligation (other than an obligation under this clause 14.2);
 - (viii) any transaction or arrangement that may take place between any of the parties to this deed or any other person;
 - (ix) APD exercising or refraining from exercising its rights under any security or any other rights, power or remedies against Bidder, Guarantor or any other person;

- (x) the amendment, replacement, extinguishment, unenforceability, failure, loss, release, discharge, abandonment or transfer of any security held by APD or any other person or the taking of, or failure to take, any security, in each case whether in whole or in part and whether with or without consideration;
- (xi) the failure or omission or any delay by any party to give notice to Guarantor of any default under this deed;
- (xii) any legal limitation, disability, incapacity or other circumstances related to a person.
- (xiii) acquiescence, delay, acts, omissions or mistakes on the part of APD; or
- (xiv) the occurrence of any other thing which might otherwise release, discharge or affect the obligations of Guarantor under this clause 14.

14.3 Payments

- (a) Guarantor agrees to make payments under this clause 14 in Australian dollars and in full without set-off, counterclaim, deduction or other withholding. If Guarantor is required by law to withhold or deduct any amount so that APD would not actually receive on the due date the full amount, it must ensure that:
 - (i) the amount payable is increased so that, after making that withholding or deduction, APD is entitled to receive and does receive the full amount it would have received if no withholdings or deductions had been required; and
 - (ii) the full amount withheld or deducted is paid to the relevant Government Agency in accordance with applicable law.
- (b) Guarantor has no right to set-off, deduct or withhold any moneys that it may be or become liable to pay under this clause 14 against any moneys that APD or any other member of the APD Group may be or become liable to pay to Guarantor or any of its Related Bodies Corporate (whether under this deed or otherwise).

14.4 Continuing obligation

This clause 14:

- (a) extends to cover this deed as amended, varied, supplemented, renewed or replaced;
- (b) is a principal obligation and is not to be treated as ancillary or collateral to another right or obligation;
- (c) is independent of and not in substitution for or affected by any other security interest or guarantee or other document, deed or arrangement which APD may have the benefit of or be a party to concerning the Guaranteed Obligations; and
- (d) is a continuing obligation despite any intervening payment, settlement or other thing and extends to all of the Guaranteed Obligations until all of those obligations have been fully discharged.

15 Trustee limitation of liability

- (a) APN RE enters into this deed only in its capacity as responsible entity of the APD Trust and in no other capacity. Each of the parties to this deed acknowledge that the obligations, and any representations and warranties, of APN RE under this deed are incurred or given by APN RE to the parties in its capacity as responsible entity of the APD Trust.
- (b) A liability arising under or in connection with this deed is limited to and can be enforced against APN RE only to the extent to which it can be satisfied out of the property of the APD Trust out of which APN RE is actually indemnified for the liability. This limitation of APN RE's liability applies despite any other provision of this deed and extends to all liabilities and obligations of APN RE in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this deed.
- (c) Any party to this deed may not sue APN RE in any capacity other than as responsible entity of the APD Trust, including seeking the appointment of a receiver (except in relation to property of the APD Trust), a liquidator, an administrator or any similar person to APN RE or prove in any liquidation, administration or arrangement of or affecting APN RE (except in relation to property of the APD Trust).
- (d) The limitations in this clause 15 do not apply to any obligation or liability of APN RE to the extent that it is not satisfied because under the constitution of the APD Trust, or by operation of law, there is a reduction in the extent of APN RE's indemnification, APN RE has no right to indemnification, out of the assets of the APD Trust as a result of any fraud, breach of trust or breach of duty by APN RE relating to this deed in its capacity as responsible entity of the APD Trust. For the avoidance of doubt, if any of the circumstances in the previous sentence arise, APN RE will be liable both in its personal capacity and, to the maximum extent permitted by law, in its capacity as responsible entity of the APD Trust.
- (e) This clause 15 is not intended to limit any rights which APN RE has to be indemnified out of the assets of the APD Trust.

16 Duty, costs and expenses

16.1 Stamp duty

Bidder:

- (a) must pay all stamp duties and any related interest, fines and penalties in respect of this deed, the Transaction, the Schemes or any transaction or steps effected or taken under, or contemplated by, this deed, the Transaction or the Schemes; and
- (b) indemnifies APD against any liability arising from or in connection with any failure by Bidder to comply with clause 16.1(a).

16.2 Costs and expenses

Except as otherwise provided in this deed, each party must pay its own costs and expenses in connection with the negotiation, preparation, execution and performance of this deed and the proposed, attempted or actual implementation of the Transaction.

17 GST

- (a) In this clause 17, a word or expression defined in the GST Law has the meaning given to it in the GST Law.
- (b) Unless otherwise expressly stated, all amounts or other sums payable or consideration to be provided under or in accordance with this deed are exclusive of GST.
- (c) If a party makes a supply under or in connection with this deed in respect of which GST is payable, the consideration for the supply but for the application of this clause 17(c) (**GST exclusive consideration**) is increased by an amount (**Additional Amount**) equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.
- (d) If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by the amount equal to any input tax credit the other party, or the representative member of the GST group of which the other party is a member, is entitled to with respect to the loss, cost or expense, and then increased in accordance with clause 17(c) if such amount is consideration for a taxable supply made under or in connection with this deed.
- (e) A party need not make a payment of the Additional Amount until it receives a tax invoice or adjustment note (as appropriate) for the supply to which the payment relates.

18 General

18.1 Notices

- (a) A notice, consent, approval, waiver or other communication sent by a party under this deed (**Notice**) must be:
 - (i) in writing;
 - (ii) sent by an authorised representative of the sender; and
 - (iii) marked for the attention of the person named below,and must be:
 - (iv) left at, or sent by commercial courier to, the address set out below; or
 - (v) sent by email to the address set out below.

APD

Attention: Tim Slattery / Joseph De Rango
Address: Level 30
101 Collins Street
Melbourne Vic 3000
Email: tslattery@apngroup.com.au / jderango@apngroup.com.au
with a copy (for information purposes only) to npathak@gtlaw.com.au and
smacknay@gtlaw.com.au

Bidder / Guarantor

Attention: Jonathan Hedger
Address: Level 25, Australia Square
264-278 George Street
Sydney NSW 2000
Email: jonathan.hedger@dexus.com
with a copy (for information purposes only) to daniel.natale@au.kwm.com

- (b) Subject to clause 18.1(c), a Notice is taken to be received:
- (i) if sent by delivery, when it is delivered;
 - (ii) if sent by post, three days after posting; or
 - (iii) if sent by email:
 - (A) when the sender receives an automated message confirming delivery;
or
 - (B) four hours after the time sent (as recorded on the device from which the email was sent), provided that the sender does not receive an automated message that the email has not been delivered,
- whichever happens first.
- (c) If a Notice is taken to be received under clause 18.1(b):
- (i) before 9:00am on a Business Day, it will be taken to be received at 9:00am on that Business Day; or
 - (ii) after 5:00pm on a Business Day or on a non-Business Day, it will be taken to be received at 9:00am on the next Business Day.

18.2 Governing law and jurisdiction

- (a) This deed is governed by the laws of Victoria, Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Victoria, Australia and courts competent to hear appeals from those courts.

18.3 No representation or reliance

- (a) Each party acknowledges that no other party (nor any person acting on behalf of another party) has made any representation or other inducement to it to enter into this deed, except for representations or inducements expressly set out in this deed and (to the maximum extent permitted by law) all other representations, warranties and conditions implied by statute or otherwise in relation to any matter relating to this deed, the circumstances surrounding the parties' entry into it and the transactions contemplated by it are expressly excluded.
- (b) Each party acknowledges and confirms that it does not enter into this deed in reliance on any representation or other inducement by or on behalf of any other person, except for any representation or inducement expressly set out in this deed.

18.4 No merger

The rights and obligations of the parties do not merge on completion of the Transaction. They survive the execution and delivery of any assignment or other document entered into for the purpose of implementing the Transaction.

18.5 Waivers and consents

- (a) Failure to exercise or enforce, a delay in exercising or enforcing, or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed by any party does not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed.
- (b) Any waiver or consent given by a party under this deed is only effective and binding on that party if it is given or confirmed in writing by that party.
- (c) No waiver of a breach of any term of this deed operates as a waiver of another breach of that term or of a breach of any other term of this deed.
- (d) Except where this deed expressly provides otherwise, where the consent of a party is required under this deed, such consent may be given or withheld in that party's absolute discretion.

18.6 Variation

- (a) Subject to clause 18.6(b), this deed may only be varied by a document signed by or on behalf of APD and the Bidder.
- (b) On and from the Implementation Date, the parties may not amend or vary this deed in a manner that adversely affects any right or benefit conferred on an APD Indemnified Party under this deed without the prior written consent of the majority of directors of APD at the date of this deed.

18.7 Assignment

A party may not assign, novate or otherwise transfer any of its rights or obligations under this deed without the prior written consent of the other parties.

18.8 Further action

Each of the parties will do all things and execute all further documents necessary to give full effect to this deed.

18.9 Entire agreement

Subject to clause 13, this deed supersedes all previous agreements, understandings, negotiations or deeds in respect of its subject matter and embodies the entire agreement between the parties.

18.10 Severability

- (a) If the whole or any part of a provision of this deed is void, unenforceable or illegal in a jurisdiction, it is severed for that jurisdiction but only to the extent that it is void, unenforceable or illegal and provided that it will have full force and effect in any other jurisdiction.
- (b) Where a provision (or any part thereof) is severed in a jurisdiction, the remainder of this deed will have full force and effect in that (and any other) jurisdiction.
- (c) This clause 18.10 does not apply to any severance that alters the basic nature of this deed or is contrary to public policy.

18.11 Counterparts

This deed may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

18.12 Relationship of the parties

- (a) Other than as set out in this clause 18.12 below nothing in this deed:
 - (i) gives a party authority to bind any other party in any way; and
 - (ii) imposes any fiduciary duties on a party in relation to any other party.
- (b) Any rights expressed to be held by APD are held and may be exercised by APD, APN RE and APD Trust severally.
- (c) Obligations and liabilities expressed to be owing by APD under this deed are owed by APD, APN RE and APD Trust jointly and severally.

Schedule 1 Dictionary

1 Dictionary

Additional Amount has the meaning given in clause 17(c).

Aggregate Scheme Consideration means the Scheme Consideration multiplied by the total number of Scheme Securities.

APD Board means the board of directors of APN PG and the board of directors of APN RE (in its capacity as responsible entity of APD Trust).

APD Director means a director of APN PG and/or a director of APN RE.

APD Employee Share Schemes means APD's share incentive plans.

APD Group means, collectively, APD and its Related Bodies Corporate (including APN RE acting in its capacity as responsible entity of the APD Trust).

APD Indemnified Parties means APD and its Related Bodies Corporate and their respective current and former directors, officers, employees and advisers.

APD Information means all the information in the Scheme Booklet other than the Bidder Information and the Independent Expert's Report.

APD Rights means an unlisted contractual right to acquire an APD Security pursuant to the APD Employee Share Schemes.

APD Security means an APD Share stapled to an APD Trust Unit.

APD Securityholder means a holder of one or more APD Securities, as shown in the Security Register.

APD Share means a fully paid ordinary share in the capital of APN PG.

APD Shareholders means each person who is registered in the Security Register as a holder of APD Shares.

APD Trust means the APD Trust (ARSN 629 330 007) whose units are stapled to shares of APN PG.

APD Trust Constitution means the constitution establishing the APD Trust as amended from time to time.

APD Trust Supplemental Deed means a deed poll under which APN RE will amend the APD Trust Constitution to effect the Trust Scheme in the form of Attachment C or such other form as agreed in writing between Bidder and APD.

APD Trust Unit a fully paid ordinary unit in the APD Trust.

APD Warranties means the representations and warranties of APD set out in Schedule 2.

APN PG Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between APN PG and the APN PG Scheme Participants, in the form of Attachment B or such other form as agreed in writing between Bidder and APD.

APN PG Scheme Meeting means the meeting of APD Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act, and includes any adjournment of that meeting.

APN PG Scheme Participants means each person who is registered in the Security Register as at the Record Date as a holder of APD Shares.

ASIC means the Australian Securities and Investments Commission.

ASIC Relief means an approval or consent referred to in clause 3.1(a).

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or, where the context requires, the financial market operated by it.

Bidder Counterproposal has the meaning given in clause 7.7(a)(v).

Bidder Group means Bidder and its Related Bodies Corporate.

Bidder Indemnified Parties means Bidder and its Related Bodies Corporate and their respective directors, officers, employees and advisers.

Bidder Information means information regarding Bidder and its Related Bodies Corporate provided by or on behalf of Bidder to APD or its Representatives for inclusion in the Scheme Booklet.

Bidder Warranties means the representations and warranties of Bidder set out in Schedule 3.

Break Fee means \$3,000,000.

Budget means the budget provided at reference 02.03.02 of the Data Room.

Business Day has the meaning given in the Listing Rules.

Competing Proposal means any expression of interest, proposal, offer, agreement, arrangement or transaction which is sufficiently detailed and credible to warrant consideration as such by APD and which, if entered into or completed, would result in a Third Party (either alone or together with one or more Associates) directly or indirectly:

- (a) acquiring a Relevant Interest in, or acquiring or obtaining a right to acquire a legal, beneficial, economic or voting interest in, 20% or more of all APD Securities;
- (b) obtaining a right to acquire, or otherwise obtaining an economic interest in, all or a material part of the assets or business of the APD Group (where a material part means assets representing 50% or more of the value of the APD Group's total assets or business representing 50% or more of the value of the APD Group's total business); or
- (c) acquiring Control of, or merging with, APD, whether by takeover bid, scheme of arrangement, shareholder approved acquisition or other transaction or arrangement.

Condition means a condition set out in clause 3.1.

Confidentiality Agreement means the confidentiality agreement between APD and Guarantor dated 9 April 2021.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Corporations Regulations means the *Corporations Regulations 2001* (Cth).

Court means the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act as agreed in writing between Bidder and APD.

Court Documents means the documents required for the purposes of the Court Hearings, including (as applicable) originating process, affidavits, submissions and draft minutes of Court orders.

Court Hearings means the First Court Hearing and Second Court Hearing.

Data Room means the "Project E" virtual data room (an index of which has been initialised by the parties' lawyers before execution of this deed for the purposes of identification).

Deed Poll means the deed poll to be entered into by Bidder in the form of Attachment D.

Disclosure Letter means the letter so entitled from APD provided to Bidder on or before the date of this deed.

Disclosure Materials means the Disclosure Letter and the written information, documents and responses disclosed or made available to Bidder or its Representatives by or on behalf of APD before the date of this deed in the Data Room.

EBITDA means the consolidated earnings of the APD Group before interest, tax, depreciation and amortisation (excluding non-recurring items and non-operating items) calculated in accordance with the accounting policies and practices of the APD Group as at the date of this deed.

Effective means:

- (a) the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the APN PG Scheme; and
- (b) the APD Trust Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.

Effective Date means the date on which the Schemes become Effective.

Employee Share Scheme Loan means a loan made by a member of the APD Group to a participant in the APD Employee Share Schemes for the acquisition of APD Securities.

End Date means 6 months after the date of this deed or such later date as Bidder and APD agree in writing.

Exclusivity Period means the period from the date of this deed until the earlier of:

- (a) the termination of this deed in accordance with clause 11; and

- (b) the End Date.

Fairly Disclosed means, in relation to a matter, such matter being disclosed in sufficient detail to enable a reasonable and sophisticated person experienced in M&A transactions to identify the nature and scope of the relevant matter.

First Court Date means the first day on which an application made to the Court for orders under section 411(1) of the Corporations Act directing APD to convene the APN PG Scheme Meeting is heard and to seek the First Judicial Advice (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **First Court Hearing**.

First Judicial Advice means confirmation from the Court under Order 54 of the *Supreme Court (General Civil Procedure) Rules 2005* (Vic) that:

- (a) APN RE would be justified in convening the Trust Scheme Meeting for the purposes of considering the Trust Scheme Resolutions; and
- (b) subject to the Trust Unitholders passing the Trust Scheme Resolutions, APN RE would be justified in proceeding on the basis that amending the APD Trust Constitution as set out in the APD Trust Supplemental Deed would be within the powers of alteration conferred by the APD Trust Constitution and section 601GC of the Corporations Act.

Further Distribution has the meaning given in clause 5.1(a)(ii).

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

GST means goods and services tax, or a similar value added tax, levied or imposed in Australia under the GST Law.

GST exclusive consideration has the meaning given in clause 17(c).

GST Law has the meaning given to it in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Guaranteed Obligations has the meaning given in clause 14.1(a).

Guarantor Warranties means the representations and warranties of Guarantor set out in Schedule 4.

Implementation Date means the fifth Business Day after the Record Date or such other day as Bidder and APD agree in writing.

Independent Expert means the independent expert to be appointed by APD to prepare the Independent Expert's Report in accordance with clause 4.1(a).

Independent Expert's Report means the report prepared by the Independent Expert for inclusion in the Scheme Booklet opining on whether the Scheme is fair and reasonable and in the best interests of APD Securityholders, and includes any update or supplement to that report.

Insolvency Event means, in relation to any entity:

- (a) the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity;
- (b) a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets;
- (c) the entity executing a deed of company arrangement;
- (d) the entity ceases, or threatens to cease to, carry on substantially all the business conducted by it as at the date of this deed;
- (e) the entity is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation);
- (f) the entity being deregistered as a company or otherwise dissolved; or
- (g) something having a substantially similar effect to any of the things described in paragraphs (a) to (f) happens in connection with the entity under the law of any foreign jurisdiction.

Key Management Personnel means the key management personnel of APD (excluding non-executive directors) from time to time. As at the date of this deed, such persons are:

- (a) Tim Slattery;
- (b) Joseph De Rango;
- (c) Chris Brockett;
- (d) Alex Abell; and
- (e) Pete Morrissey.

Listing Rules means the official listing rules of ASX.

Managed Fund means the listed entities that comprise the APN Convenience Retail REIT (ASX:AQR) or the APN Industria REIT (ASX:ADI).

Material Adverse Change means a matter, event or circumstance that occurs or becomes known after the date of this deed which (either individually or when aggregated with other events occurrences or matters of the same or substantially similar nature) has resulted in, or is reasonably likely to result in, EBITDA being reduced by at least \$2.5 million in the 12 month period from the happening of the matter, event or circumstance as compared to what the EBITDA could reasonably be expected to have been in that period but for the relevant matter, event or circumstance, provided that:

- (a) any reduction in EBITDA in the relevant period must be determined after taking into account any matters which offset the impact of the relevant matter, event or circumstance in the relevant period; and
- (b) any matter, event or circumstance shall be disregarded if:

- (i) it is required or permitted by this deed or the Schemes or transactions contemplated by either;
- (ii) it is Fairly Disclosed in the Disclosure Materials or Disclosure Letter, or in any documents lodged with ASX or ASIC by or on behalf of APD in the two years before the date of this deed;
- (iii) it is within the actual knowledge of Bidder or any of its Related Bodies Corporate or Representatives as at the date of this deed;
- (iv) it is approved, consented to or requested by Bidder in writing;
- (v) it constitutes payment of Transaction costs and expenses incurred by APD including fees payable to external advisers of APD and costs of D&O insurance under clause 6.8, up to the aggregate amount of such costs and expenses Fairly Disclosed in the Disclosure Letter;
- (vi) it results or arises from or in connection with:
 - (A) any actual or proposed change in any law, regulation or policy, or in any accounting principle or standard, or in the interpretation of any of the foregoing;
 - (B) general economic, business or political conditions or changes in any such conditions (including disruptions to, or fluctuations in, stock markets or other financial markets, or changes in interest rates, foreign currency exchange rates or commodity prices) that impact Australian property fund management businesses and Australian real estate investment trusts generally;
 - (C) any act of terrorism, war (whether or not declared) natural disaster, pandemic, epidemic or the like; and
- (vii) it arises from the COVID-19 virus (or any mutation, variation or derivative), or from any law, order, rule or direction of any Government Agency in relation thereto.

Notice has the meaning given in clause 18.1(a).

Permitted Distribution has the meaning given in clause 5.1(a)(i).

Prescribed Occurrence means the occurrence of any of the matters set out in Schedule 5.

Record Date means 7:00pm on the second Business Day after the Effective Date of the Schemes, or such other time and date as Bidder and APD agree in writing.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Representative means, in respect of a party, an employee, agent, officer, director, adviser or financier of that party (or of a Related Body Corporate of that party), and, in the case of advisers and financiers, includes employees, officers and agents of the adviser or financier (as applicable).

Reverse Break Fee means \$3,000,000.

Scheme Booklet means the explanatory statement in respect of the Schemes, which will contain (among other things) the Independent Expert's Report (or a concise version of that report), a notice of meeting in respect of the APN PG Scheme Meeting and Trust Scheme Meeting and a proxy form.

Scheme Consideration means, in respect of each Scheme Security, 91.5 cents as adjusted in accordance with clause 5.1(c) (if applicable).

Scheme Meetings means the APN PG Scheme Meeting and the Trust Scheme Meeting.

Scheme Security means an APD Security held by a Scheme Securityholder as at the Record Date.

Scheme Securityholder means an APD Securityholder as at the Record Date.

Schemes means the APN PG Scheme and the Trust Scheme.

Second Court Date means the first day on which an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Scheme is heard and the Second Judicial Advice is sought (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Second Judicial Advice means confirmation from the Court under Order 54 of the *Supreme Court (General Civil Procedure) Rules 2005* (Vic) that, the Trust Unitholders having approved the Trust Scheme Resolutions by the requisite majorities, APN RE would be justified in implementing the Trust Scheme Resolutions, giving effect to the provisions of the APD Trust Constitution (as amended by the APD Trust Supplemental Deed) and in doing all things and taking all necessary steps to put the Trust Scheme into effect.

Security Register means the register of APD Securityholders maintained in accordance with the Corporations Act.

Superior Proposal means a bona fide Competing Proposal (which is not received by APD as a result of a material breach by APD of its obligations under clause 7) which the APD Board, acting in good faith and after taking advice from its legal and financial advisers, determines:

- (a) is reasonably capable of being completed substantially in accordance with its terms, taking into account all aspects of the Competing Proposal, including its conditions; and
- (b) would be more favourable to APD Securityholders than the Transaction if completed substantially in accordance with its terms, taking into account all aspects of the Competing Proposal, including the identity, reputation and financial condition of the person making such proposal and legal, regulatory and financial matters.

Takeovers Panel means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth).

Third Party means a person other than Bidder and its Associates.

Timetable means the indicative timetable for the implementation of the Transaction set out in Attachment A.

Transaction means the acquisition of APD by Bidder by means of the Schemes.

Transition Committee has the meaning given in clause 6.4(a).

Trust Property means all of the scheme property of the APD Trust, including all APN RE's rights, property and undertaking which are the subject of the APD Trust:

- (a) of whatever kind and wherever situated; and
- (b) whether present or future.

Trust Scheme means an arrangement under which Bidder acquires all of the APD Trust Units from Trust Scheme Participants facilitated by amendments to the APD Trust Constitution as set out in the APD Trust Supplemental Deed, subject to the requisite approvals of the Trust Unitholders, in the form of Attachment C or such other form as agreed in writing between Bidder and APD.

Trust Scheme Meeting means the meeting of Trust Unitholders convened by APN RE to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.

Trust Scheme Participants means each person registered in the Security Register as a holder of Trust Scheme Units as at the Record Date.

Trust Scheme Resolutions means the resolutions to approve the Trust Scheme including:

- (a) a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the APD Trust Constitution as set out in the APD Trust Supplemental Deed; and
- (b) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the APD Trust Units by Bidder.

Trust Scheme Unit means APD Trust Units as at the Record Date.

Trust Unitholder means each person who is registered in the Security Register as a holder of APD Trust Units.

Valid Variation Notice means a means a notice of variation granted by the Commissioner under subsection 14-235(2) of Schedule 1 to the TAA.

Warranty means an APD Warranty, Bidder Warranty or Guarantor Warranty (as applicable).

Withholding Declaration means a declaration under section 14-225 of Schedule 1 to the TAA in respect of the acquisition of any Scheme Securities from an APN PG Scheme Participant or a Trust Scheme Participant.

2 Interpretation

In this deed, the following rules of interpretation apply unless the contrary intention appears.

- (a) Headings are for convenience only and do not affect the interpretation of this deed.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.
- (e) The words "include", "including", "such as", "for example" and similar expressions are not words of limitation and do not limit what else might be included.
- (f) A reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
 - (ii) a thing (including a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this deed (as applicable);
 - (vi) this deed includes all schedules and attachments to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement (other than this deed) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
 - (ix) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends; and
 - (x) a monetary amount is in Australian dollars.
- (g) An agreement on the part of two or more persons binds them jointly and severally.
- (h) When the day on which something must be done is not a Business Day, that thing must be done on the following Business Day.

- (i) In determining the time of day where relevant to this deed, the time of day is:
 - (i) for the purposes of giving or receiving Notice, the time of day where the party receiving Notice is located; or
 - (ii) for any other purpose under this deed, the time of day in the place where the party required to perform an obligation is located.
- (j) No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this deed or any part of it.

Schedule 2 APD Warranties

- (a) **Validly existing:**
- (i) APN PG is a validly existing corporation registered under the laws of its place of incorporation;
 - (ii) APD Trust is duly established, is validly subsisting, has not been terminated and is a registered managed investment scheme;
 - (iii) APN RE is the (and is the only) trustee and responsible entity of APD Trust, has been validly appointed and remains as responsible entity of APD Trust;
 - (iv) as far APN RE is aware, no action has been taken to either:
 - (A) terminate APD Trust; or
 - (B) wind up APD Trust whether under Chapter 5C of the Corporations Act or otherwise,other than any frivolous or vexatious application, or any application that is set aside within 14 days or, if earlier, by the Second Court Date;
 - (v) APN RE has not exercised its powers under the APD Trust Constitution to release, abandon or restrict any power conferred on it by the APD Trust Constitution;
 - (vi) APN RE is not in default under the APD Trust Constitution; and
 - (vii) subject to law and the APD Trust constitution, APN RE has the right to be fully indemnified out of the Trust Property in respect of the obligations incurred by it as responsible entity of APD Trust under the documents to which it is a party, and as far as APN RE is aware there is nothing that would prevent APN RE from being fully indemnified out of the Trust Property for any obligations under or in connection with this deed or any of the transactions contemplated by the deed that it incurs in its capacity as responsible entity of APD Trust.
- (b) **Power:** APD has full corporate power and lawful authority to execute, deliver and perform this deed and the Schemes.
- (c) **Corporate action:** APD has taken the necessary corporate action to authorise the entry into this deed and has taken or will take all necessary corporate action to authorise the performance of this deed and the Schemes.
- (d) **Binding:** This deed is a valid and binding obligation on APD, enforceable in accordance with its terms.
- (e) **Performance:** The execution and performance of this deed by APD does not and will not violate or breach any provision of:
- (i) any writ, order or injunction, judgment, law, rule or regulation to which APD is party or by which it or any other member of the APD Group is bound; or

(ii) APN PG, APD Trust or APN RE's constitution,

and is not otherwise bound by any agreement, undertaking or instrument that would prevent it from entering into, delivering or performing this deed.

(f) **Capital structure:** As at the date of this deed, there are:

(i) 329,548,043 APD Securities; and

(ii) 20,090,778 APD Rights,

on issue, and APD has not issued or agreed to issue any other securities which are still outstanding and may convert into APD Securities.

(g) **APD Information:** The APD Information included in the Scheme Booklet and any supplementary disclosure made to APD Securityholders pursuant to clause 4.1(j) (excluding any information provided by Bidder) has been prepared in good faith and, as at the date of the Scheme Booklet or supplementary disclosure (as applicable):

(i) is not misleading or deceptive in any material respect (whether by omission or otherwise); and

(ii) complies in all material respects with the requirements of the Corporations Act and Corporations Regulations, Listing Rules, Takeovers Panel guidance notes, ASIC Regulatory Guide 60 and ASIC Regulatory Guide 74 (as applicable).

(h) **Information provided to Independent Expert:** The information provided to the Independent Expert by APD has been provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report.

(i) **Solvency or regulatory action:** No member of the APD Group is the subject of an Insolvency Event, nor is APD aware of any regulatory action having been taken in relation to any member of the APD Group that would prevent or restrict its ability to fulfil its obligations under this deed.

(j) **Disclosure:** As at the date of this deed:

(i) APD is in compliance in all material respects with its continuous disclosure obligations under Listing Rule 3.1; and

(ii) except for Bidder's proposal to acquire APD, APD is not withholding from disclosure to ASX any material information in reliance on Listing Rule 3.1A.

(k) **Licences:** APD has complied in all material respects with all Australian laws and regulations applicable to it and the APD Group has all material licences and permits necessary for it to conduct its business as presently being conducted.

(l) **Encumbrances:** There is no material Encumbrance of all or any of APD's assets or revenues.

(m) **Contracts:** No member of the APD Group is in material breach of any contract that is material to the business of the APD Group (taken as a whole) where such breach would give the counterparty the right to terminate the relevant contract.

- (n) **Litigation:** No member of the APD Group is engaged in any prosecution, litigation or arbitration proceedings for which a resulting liability may reasonably be expected to be in excess of \$200,000 and APD is not aware of any threatened litigation or circumstances which are likely to give rise to such a prosecution, litigation or arbitration.
- (o) **Disclosure Materials:** The Disclosure Materials were compiled and made available to Bidder and its Representatives in good faith and APD has not, prior to the date of this deed, intentionally withheld material information from the Disclosure Materials for the purpose of securing the agreement of Bidder and Guarantor to proceed with the Transaction on the terms of this deed and the Schemes.

Schedule 3 Bidder Warranties

- (a) **Validly existing:** Bidder is a validly existing corporation registered under the laws of its place of incorporation.
- (b) **Power:** Bidder has full corporate power and lawful authority to execute, deliver and perform this deed and the Deed Poll.
- (c) **Corporate action:** Bidder has taken all necessary corporate action to authorise the entry into this deed and has taken or will take all necessary corporate action to authorise the performance of this deed and the Deed Poll.
- (d) **Binding:** This deed is a valid and binding obligation on Bidder, enforceable in accordance with its terms.
- (e) **Performance:** The execution and performance by Bidder of this deed did not and will not violate or breach any provision of:
 - (i) any writ, order or injunction, judgment, law, rule or regulation to which Bidder is party or by which it is bound; or
 - (ii) Bidder's constitution or other constituent documents.
- (f) **Bidder Information:** The Bidder Information included in the Scheme Booklet, and any other information provided by Bidder pursuant to clause 4.2(f), has been prepared in good faith and, as at the date of the Scheme Booklet or the date on which such information is so provided (as applicable):
 - (i) is not misleading or deceptive in any material respect (whether by omission or otherwise); and
 - (ii) complies in all material respects with the requirements of the Corporations Act and Corporations Regulations, Listing Rules, Takeovers Panel guidance notes and ASIC Regulatory Guide 60 and ASIC Regulatory Guide 74 (as applicable).
- (g) **Information provided to Independent Expert:** The information provided to the Independent Expert by Bidder has been provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report.
- (h) **Insolvency Event or regulatory action:** Neither Bidder nor any of its Related Bodies Corporate is the subject of an Insolvency Event, nor has any regulatory action of any nature of which Bidder is aware been taken or threatened that may prevent or in any way restrict its ability to fulfil its obligations under this deed.
- (i) **No other regulatory approvals:** no approval, consent, waiver, clearance, concession, allowance, notification or authorisation is required to be obtained from, or made to, any Government Agency in order for Bidder to execute and perform this deed.
- (j) **No dealings with APD Securityholders:** Neither Bidder nor any of its Associates has any agreement, arrangement or understanding with any APD Securityholder under which:

- (i) that APD Securityholder (or an Associate of that APD Securityholder) would or may be or become entitled to receive:
 - (A) consideration for their APD Securities that is different from the Scheme Consideration; or
 - (B) any benefit in connection with the Schemes that is not also offered to all other APD Securityholders on the same terms; or
- (ii) that APD Securityholder agrees to vote in favour of the Schemes or against any Competing Proposal.
- (k) **No dealings with APD directors or employees:** Neither Bidder nor any of its Associates has any agreement, arrangement or understanding with any director, officer or employee of APD or any other member of the APD Group relating in any way to the Transaction or the business or operations of the APD Group after the Effective Date.
- (l) **Reasonable basis:** As at the date of this deed, Bidder has a reasonable basis to expect that it will have available to it sufficient cash amounts (whether from internal cash resources or external funding arrangements) to satisfy its obligations to pay the Scheme Consideration in accordance with this deed and the Deed Poll.
- (m) **Availability of funding on Second Court Date:** By 8:00am on the Second Court Date, Bidder will have available to it on an unconditional basis (other than conditions relating to the Schemes becoming Effective or procedural matters or documentary requirements which, by their terms or nature, can only be satisfied or performed after the Schemes become Effective) sufficient cash amounts (whether from internal cash resources or external funding arrangements or a combination of both) to ensure that the Scheme Consideration is paid in accordance with this deed and the Deed Poll.
- (n) **Availability of funding on Implementation Date:** On the Business Day immediately before the Implementation Date, Bidder will have available to it on an unconditional basis sufficient cash amounts (whether from internal cash resources or external funding arrangements or a combination of both) to satisfy Bidder's obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Scheme and the Deed Poll.

Schedule 4 Guarantor Warranties

- (a) **Validly existing:** Guarantor is a validly existing corporation registered under the laws of its place of incorporation.
- (b) **Power:** Guarantor has full corporate power and lawful authority to execute, deliver and perform this deed and the Deed Poll.
- (c) **Corporate action:** Guarantor has taken all necessary corporate action to authorise the entry into this deed and has taken or will take all necessary corporate action to authorise the performance of this deed and the Deed Poll.
- (d) **Binding:** This deed is a valid and binding obligation on Guarantor, enforceable in accordance with its terms.
- (e) **Performance:** The execution and performance by Guarantor of this deed did not and will not violate or breach any provision of:
 - (i) any writ, order or injunction, judgment, law, rule or regulation to which Bid Guarantor is party or by which it is bound; or
 - (ii) Guarantor's constitution or other constituent documents.
- (f) **Bidder Information:** The Bidder Information included in the Scheme Booklet, and any other information provided by Bidder pursuant to clause 4.2(f), has been prepared in good faith and, as at the date of the Scheme Booklet or the date on which such information is so provided (as applicable):
 - (i) is not misleading or deceptive in any material respect (whether by omission or otherwise); and
 - (ii) complies in all material respects with the requirements of the Corporations Act and Corporations Regulations, Listing Rules and relevant ASIC regulatory guides (as applicable).
- (g) **Information provided to Independent Expert:** The information provided to the Independent Expert by Bidder has been provided in good faith and on the understanding that the Independent Expert will rely on that information for the purpose of preparing the Independent Expert's Report.
- (h) **Insolvency Event or regulatory action:** Neither Bidder nor any of its Related Bodies Corporate is the subject of an Insolvency Event, nor has any regulatory action of any nature of which Guarantor is aware been taken or threatened that may prevent or in any way restrict its ability to fulfil its obligations under this deed.
- (i) **No other regulatory approvals:** no approval, consent, waiver, clearance, concession, allowance, notification or authorisation is required to be obtained from, or made to, any Government Agency in order for Guarantor to execute and perform this deed.
- (j) **No dealings with APD Securityholders:** Neither Guarantor nor any of its Associates has any agreement, arrangement or understanding with any APD Securityholder under which:
 - (i) that APD Securityholder (or an Associate of that APD Securityholder) would or may be or become entitled to receive:

- (A) consideration for their APD Securities that is different from the Scheme Consideration; or
 - (B) any benefit in connection with the Schemes that is not also offered to all other APD Securityholders on the same terms; or
- (ii) that APD Securityholder agrees to vote in favour of the Schemes or against any Competing Proposal.
- (k) **No dealings with APD directors or employees:** Neither Guarantor nor any of its Associates has any agreement, arrangement or understanding with any director, officer or employee of APD or any other member of the APD Group relating in any way to the Transaction or the business or operations of the APD Group after the Effective Date.
- (l) **Deed Poll:** Guarantor will execute the Deed Poll, and procure that the fully executed Deed Poll is delivered to APD, in each case before 5:00pm on the date that is two Business Days before the First Court Date, and if the Schemes become Effective, Guarantor will fully comply with the Deed Poll.
- (m) **Reasonable basis:** As at the date of this deed, Guarantor has a reasonable basis to expect that it will have available to it sufficient cash amounts (whether from internal cash resources or external funding arrangements) to satisfy its obligations to pay the Scheme Consideration in accordance with this deed and the Deed Poll.
- (n) **Availability of funding on Second Court Date:** By 8:00am on the Second Court Date, Guarantor has access to, and will ensure that the Bidder has available to it, on an unconditional basis (other than conditions relating to the Schemes becoming Effective or procedural matters or documentary requirements which, by their terms or nature, can only be satisfied or performed after the Schemes become Effective) sufficient cash amounts (whether from internal cash resources or external funding arrangements or a combination of both) to ensure that the Scheme Consideration is paid in accordance with this deed and the Deed Poll.
- (o) **Availability of funding on Implementation Date:** Guarantor has access to, and will ensure that, on the Business Day immediately before the Implementation Date, Bidder has available to it on an unconditional basis, sufficient cash amounts (whether from internal cash resources or external funding arrangements or a combination of both) to satisfy Bidder's obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Scheme and the Deed Poll.
- (p) **No shareholder approvals:** No approvals are required from shareholders of Guarantor (or any class of them) in connection with the execution or performance of this deed.

Schedule 5 Prescribed Occurrences

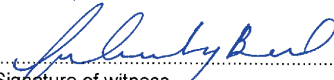
- (a) APN PG or APD Trust (where applicable, through its responsible entity) converting all or any of its shares or units (as applicable) into a larger or smaller number of shares or units;
- (b) APD resolving to reduce its capital in any way or another member of the APD Group resolving to reduce its capital in way which would result in a payment outside the APD Group;
- (c) APD or another member of the APD Group:
 - (i) entering into a buy-back agreement; or
 - (ii) resolving to approve the terms of a buy-back agreement under the Corporations Act,other than, in the case of another member of the APD Group, where the proposed buy-back does not and would not result in a payment outside the APD Group;
- (d) a member of the APD Group issuing securities, or granting a performance right or an option over its securities, or agreeing to make such an issue or grant such a performance right or an option other than:
 - (i) on vesting of up to 20,090,778 APD Rights existing as at the date of this deed as contemplated by clause 6.5; or
 - (ii) to a member of the APD Group;
- (e) any member of the APD Group issuing, or agreeing to issue, securities convertible into securities or debt securities other than where the securities are issued, or agreed to be issued, to a member of the APD Group;
- (f) APD declaring, paying or distributing, or announcing an intention to declare, pay or distribute, any distribution, bonus or other share of its profits or assets, other than the Permitted Distribution and/or the Further Distribution;
- (g) any of the following occurs:
 - (i) APN RE ceases to be the responsible entity of the APD Trust;
 - (ii) the Trust Unitholders resolve to remove or replace APN RE as responsible entity of the APD Trust;
 - (iii) an order is made by any court, or any application being made in any court, for the appointment of a temporary responsible entity of APN RE in accordance with the Corporations Act;
 - (iv) APN RE effects or facilitates a termination of APD Trust; or
 - (v) APN RE effects or facilitates the resettlement of any of the Trust Property;
- (h) a member of the APD Group disposing, or agreeing to dispose, of (either by way of a single transaction or series of related transactions):
 - (i) the whole, or a substantial part, of the APD Group's business or property; or

- (ii) a member of the APD Group's interest in a Managed Fund;
 - (i) a member of the APD Group granting, or agreeing to grant, an encumbrance over the whole, or a substantial part, of the APD Group's business or property;
 - (j) a member of the APD Group resolving that it be wound up or an order is made for the winding up or dissolution of any member of the APD Group;
 - (k) a liquidator or provisional liquidator of a member of the APD Group being appointed;
 - (l) a court making an order for the winding up of a member of the APD Group;
 - (m) an administrator of a member of the APD Group being appointed under the Corporations Act;
 - (n) a member of the APD Group making any change to its constitution, except pursuant to the APD Trust Supplemental Deed or as is necessary to implement the Schemes;
 - (o) a member of the APD Group executing a deed of company arrangement;
 - (p) a receiver, or a receiver and manager, being appointed in relation to the whole, or a substantial part, of the APD Group's business or property; or
 - (q) any member of the APD Group is deregistered as a company or registered managed investment scheme (as applicable), or is otherwise dissolved;
- but does not include any occurrence:
- (r) required or permitted by this deed or the Schemes or any transaction contemplated by either;
 - (s) Fairly Disclosed in the Disclosure Materials or Disclosure Letter, or in any documents lodged with ASX or ASIC by or on behalf of APD in the two years before the date of this deed;
 - (t) within the actual knowledge of Bidder or any of its Related Bodies Corporate or Representatives as at the date of this deed; or
 - (u) approved, consented to or requested by Bidder in writing.

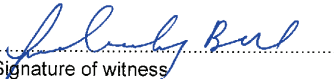
Execution page

Executed as a deed.

SIGNED, SEALED AND DELIVERED
by **DEXUS NOMINEE PTY LIMITED**
(ACN 650 020 643) by its joint attorneys
under power of attorney dated
16 May 2021 in the presence of:

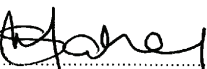

Signature of witness

Felicity Bell
Name of witness (block letters)


Signature of witness

Felicity Bell
Name of witness (block letters)

By executing this document each joint
attorney states that the joint attorney has
received no notice of revocation of the
power of attorney


Signature of joint attorney

SCOTT DOMINIC MAHONY
Name of joint attorney (block letters)


Signature of joint attorney

RACHEL BIANCA CARALIS
Name of joint attorney (block letters)

Signed, sealed and delivered for **APN Property
Group Limited (ACN 109 846 068)** by its
attorney under power of attorney dated 7 May
2021 who has no notice of revocation of that
power of attorney in the presence of:

Signature of witness

Signature of attorney

Name of witness (print)

Name of attorney (print)

Execution page

Executed as a deed.

SIGNED, SEALED AND DELIVERED)	By executing this document each joint
by DEXUS NOMINEE PTY LIMITED)	attorney states that the joint attorney has
(ACN 650 020 643) by its joint attorneys)	received no notice of revocation of the
under power of attorney dated)	power of attorney
_____ in the presence of:)	
)	
.....)	
Signature of witness)	Signature of joint attorney
)	
.....)	
Name of witness (block letters))	Name of joint attorney (block letters)
)	
.....)	
Signature of witness)	Signature of joint attorney
)	
.....)	
Name of witness (block letters))	Name of joint attorney (block letters)
)	

Signed, sealed and delivered for **APN Property Group Limited (ACN 109 846 068)** by its attorney under power of attorney dated 7 May 2021 who has no notice of revocation of that power of attorney in the presence of:

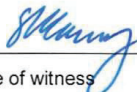
Signature of witness

Signature of attorney

Name of witness (print)

Name of attorney (print)

Signed, sealed and delivered for **APN RE Limited (ACN 617 612 202)** as responsible entity of the **APD Trust (ARSN 629 330 007)** by its attorney under power of attorney dated 7 May 2021 who has no notice of revocation of that power of attorney in the presence of:


Signature of witness

SUSANNAH MACKNAM
Name of witness (print)


Signature of attorney

TIM SLATERY
Name of attorney (print)

SIGNED, SEALED AND DELIVERED)
for and on behalf of **Dexus Funds**)
Management Limited (ABN 24 060)
920 783) under power of attorney dated)
1 August 2019 in the presence of:)

.....)
Signature of witness)

.....)
Name of witness (block letters))

.....)
Signature of witness)

.....)
Name of witness (block letters))

By executing this document each)
attorney states that the attorney has)
received no notice of revocation of the)
power of attorney.)

.....)
Signature of attorney)

.....)
Name of attorney (block letters))

.....)
Signature of attorney)

.....)
Name of attorney (block letters))

Signed, sealed and delivered for **APN RE Limited (ACN 617 612 202)** as responsible entity of the **APD Trust (ARSN 629 330 007)** by its attorney under power of attorney dated 7 May 2021 who has no notice of revocation of that power of attorney in the presence of:

Signature of witness

Signature of attorney

Name of witness (print)

Name of attorney (print)

SIGNED, SEALED AND DELIVERED)
for and on behalf of **Dexus Funds**)
Management Limited (ABN 24 060)
920 783) under power of attorney dated)
1 August 2019 in the presence of:)

By executing this document each attorney states that the attorney has received no notice of revocation of the power of attorney.

Signature of witness

Signature of attorney

Name of witness (block letters)

Name of attorney (block letters)

Signature of witness

Signature of attorney

Name of witness (block letters)

Name of attorney (block letters)

Attachment A Indicative Timetable

Event	Date
Draft Scheme Booklet provided to ASIC	By late May 2021
First Court Hearing	By mid June 2021
Scheme Meetings	By mid July 2021
Second Court Hearing	By late July 2021
Effective Date	By end July 2021
Record Date	Effective Date + 2 Business Days
Implementation Date	Record Date + 5 Business Days

Attachment B Scheme

Not reproduced here – please see Appendix D of this Scheme Booklet.

Attachment C APD Trust Supplemental Deed

Not reproduced here – please see Appendix E of this Scheme Booklet.

Attachment D Deed Poll

Not reproduced here – please see Appendix F of this Scheme Booklet.

Attachment E ASX Announcements

APN | Property Group

ASX ANNOUNCEMENT



11 May 2021

Recommended acquisition of APN Property Group by Dexus

APN Property Group (ASX:APD, “**APN**”) announces it has entered into a scheme implementation deed with Dexus (ASX:DXS, “**Dexus**”) under which it is proposed that a subsidiary of Dexus will acquire 100% of APN stapled securities for cash consideration of 91.5 cents¹ per stapled security by way of a scheme of arrangement and a trust scheme (“**Schemes**”).

The Schemes value APN's issued securities at approximately \$320 million on a fully diluted basis².

The cash price of 91.5 cents represents a:

- 50.0% premium over the closing price of APN securities of 61.0 cents on 10 May 2021, the last trading day before this announcement;
- 64.3% premium over the 1 month volume weighted average price³ of 55.7 cents; and
- 65.8% premium over the 3 month volume weighted average price³ of 55.2 cents.

Unanimous Recommendation of APD Directors

In the absence of a superior proposal and subject to the Independent Expert concluding that the Schemes are in the best interests of APN securityholders, the directors of APN and APN RE Limited (the “**APD Directors**”) unanimously recommend that APN securityholders vote in favour of the Schemes. Subject to those same qualifications, each APD Director intends to vote all the securities held or controlled by them in favour of the Schemes. Including APN's Chairman, Mr Chris Aylward, this represents intentions with respect to 33.0% of APN's issued securities.

APN's Chairman, Mr Chris Aylward, stated: “Dexus' all cash proposal represents compelling value to APN securityholders including a material premium to APN's trading price. We believe the combination of the two businesses will provide incremental growth opportunities for the APN business as well as its underlying funds, investors and our team members. The APD Directors consider this to be a very attractive offer and unanimously recommend that securityholders vote in favour of the schemes, subject to no superior proposal being made and the independent expert concluding the schemes are in the best interests of APN securityholders.”

“We are very proud of the APN platform and the value it has created not only for APN securityholders but for the investors in our property funds. We look forward to seeing the continued growth of the APN funds and delivery of returns to our investors as part of the Dexus real estate funds management platform. We do not anticipate any disruption to business operations.”

APN CEO, Mr Tim Slattery, commented: “I'm very pleased to see the value of our business built up over many years recognised through this proposal and to recommend it to APN's securityholders. Dexus' property and funds management platform is very well regarded and in combination with APN's capabilities represents an excellent ongoing opportunity for our funds' investors and our team.”

¹ The cash consideration of 91.5 cents per stapled security will be reduced by the cash amount of any distribution that is declared by APN (in its absolute discretion) on or after the date of this announcement and prior to 30 September 2021, up to 1.5 cents per stapled security.

² Total diluted securities of 349,638,821 includes 20,090,778 unvested employee share options.

³ Volume weighted average security price based on market trading volume and value up to and including 10 May 2021, being the last trading day before this announcement.

APN Property Group Limited
ACN 109 846 068
APD Trust
ARSN 629 330 007

Responsible Entity:
APN RE Limited
ACN 627 612 202 AFSL No 510685
Level 30, 101 Collins Street
Melbourne, Victoria 3000, Australia

T +61 (0) 3 8656 1000
F +61 (0) 3 8656 1010
W www.apngroup.com.au
E apnpg@apngroup.com.au

Scheme implementation deed

Implementation of the Schemes is subject to certain customary conditions including:

- APN securityholder approval;
- no material adverse change, prescribed occurrence, restraints or material breach of warranty by either APN or Dexu;
- the Independent Expert concluding that the Schemes are in the best interests of APN securityholders; and
- Court approval.

The Schemes are not subject to any financing or due diligence conditions. Dexu has informed APN that it will fund the transaction using existing cash resources and undrawn debt facilities.

A copy of the scheme implementation deed is attached to this announcement and contains customary exclusivity provisions including no shop, no due diligence and no talk restrictions, as well as notification obligations and a matching right.

The scheme implementation deed also details circumstances under which APN may be required to pay Dexu a break fee of \$3 million and circumstances where Dexu may be required to pay APN a reverse break fee of \$3 million.

In addition, Chris Aylward, Chairman of APN, via his related entities, has granted a subsidiary of Dexu a call option over APN securities, in aggregate, equal to 19.9% of APN's issued securities, exercisable in the event that a competing proposal is publicly announced.

Independent Expert

APN has appointed KPMG Corporate Finance as the Independent Expert to determine whether, in its opinion, the Schemes are in the best interests of securityholders. The Independent Expert's report will be provided to securityholders as part of the Scheme Booklet.

Indicative timetable and next steps

APN securityholders do not need to take any action at the present time.

It is expected that APN securityholders will have the opportunity to vote on the Schemes at securityholder meetings, currently expected to be held in mid July 2021.

A Scheme Booklet, containing information relating to the proposed acquisition, further details and reasons for the APD Directors' unanimous recommendation, the Independent Expert's Report and details of the meetings is expected to be sent to APN securityholders in late June 2021. Subject to the conditions of the Schemes being satisfied or (if applicable) waived in accordance with the scheme implementation deed, the Schemes are expected to be implemented in August 2021.

These dates are indicative only and are subject to change.

APN's financial adviser is Grant Samuel and its legal adviser is Gilbert + Tobin.

This announcement was authorised to be given to the ASX by the Board of APN Property Group Limited and the Board of APN RE Limited.

ENDS

For further information, please contact:

Tim Slattery
Chief Executive Officer
T +613 8656 1000
E tim.slattery@apngroup.com.au

Joseph De Rango
Chief Financial Officer
T +613 8656 1000
E jderango@apngroup.com.au

About APN Property Group

APN | Property Group

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APN Property Group (ASX code: APD) is a specialist real estate investment manager. Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutional and retail investors. APN's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

www.apngroup.com.au

About Dexus

Dexus is an ASX top 50 entity and one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at \$36.5 billion. Dexus directly owns office and industrial properties, and manages office, retail, industrial and healthcare properties for third party clients. Dexus employs approximately 500 property professionals with in-house expertise in funds management, property investment, asset management, leasing, development, capital transactions and ESG. Further information on Dexus is available at www.dexus.com.

Dexus (ASX: DXS)

ASX release



11 May 2021

Acquisition of APN Property Group to further strengthen Funds Management business

Dexus today announces that following the completion of due diligence, it has entered into a binding Scheme Implementation Deed ('SID') with APN Property Group ('APN') in relation to a proposal for Dexus to acquire all of the stapled securities in APN (the 'Proposal') for an all-cash consideration of 91.5 cents per security ('Offer Price')¹. The SID is provided in **Annexure A**.

In the absence of a superior proposal and subject to the Independent Expert concluding that the Proposal is in the best interests of APN securityholders, the directors of APN and APN RE Limited (the "APD Directors") unanimously recommend that APN securityholders vote in favour of the Proposal. Subject to those same qualifications, each APD Director intends to vote all of the securities held or controlled by them in favour of the Proposal. Including APN's Chairman, Mr Chris Aylward, this represents intentions with respect to 33.0% of APN's issued securities.

In addition, APN's Chairman and largest securityholder, Chris Aylward, via his related entities, has granted a call option to Dexus over APN securities equivalent to 19.9% of issued capital, at the Offer Price ('Call Option Agreement'), exercisable in certain circumstances.

APN Property Group

APN Property Group is listed on the Australian Securities Exchange ('ASX') (ASX: APD) and is a specialist real estate investment manager of two ASX-listed Real Estate Investment Trusts ('REITs'), APN Industria REIT (ASX: ADI) and APN Convenience Retail REIT (ASX: AQR), and also manages direct unlisted property and securities funds. As at 31 December 2020, APN had \$2.9 billion of Funds Under Management ('FUM') and \$134 million of co-investments in its managed vehicles.

Investment rationale

On completion of the transaction, Dexus will have a funds management portfolio comprising \$23.9 billion² that includes institutional wholesale capital, listed REITs, real estate securities and a direct unlisted property business.

The Proposal is underpinned by a strong investment rationale for Dexus:

- Access to a complementary and scalable business with a high-quality team and like-minded investment philosophy;
- Ability to utilise Dexus's market leading funds and property management platform to drive growth and performance for new and existing APN funds;
- Provides Dexus with a range of new growth opportunities via access to new investor groups and products;
- Adds \$2.9 billion of incremental FUM which will be immediately accretive to Adjusted Funds From Operations (AFFO) per security on completion of the transaction in FY22; and
- Potential to realise cost and revenue synergies and achieve margin expansion across the platform

Dexus Chief Executive Officer, Darren Steinberg said: "This transaction supports our strategic initiative of expanding and diversifying our funds management business, increasing our suite of funds on offer outside of wholesale funds into listed REITs, real estate securities funds and unlisted direct property funds. The transaction also expands our investor network to include retail and high net worth capital.

"We believe APN is a high quality real estate funds management business that complements our existing platform, and we look forward to APN's executives joining and strengthening the Dexus team while continuing to deliver strong results for investors".

APN's Chairman and largest securityholder, Chris Aylward said: "Dexus's proposal represents compelling value to APN securityholders including a material premium to APN's trading price. We believe the combination of the two platforms will provide incremental growth opportunities for the APN business as well as its underlying funds, investors and team members."

Consideration

Dexus proposes an all-cash Offer Price of 91.5 cents per APN security. The Offer Price will be reduced by the value of any distributions declared by APN on or after the date of this announcement and prior to 30 September 2021, up to 1.5 cents per security.



Total consideration payable by Dexus represents an equity value of \$320 million³ and enterprise value of \$308 million.

Dexus expects that on completion of the transaction in FY22 it will be immediately accretive to its Adjusted Funds From Operations (AFFO) per security.

Implementation

Implementation of the Proposal will be via a company and trust scheme. The Proposal is subject to approval by APN securityholders as well as other conditions including obtaining court approval and judicial advice in relation to the Proposal, no court or other government agency-ordered restraints, no material adverse change or prescribed occurrence in APN, regulatory approvals and other customary conditions.

The obligations of Dexus and APN regarding the implementation of the Proposal are governed by the SID. This includes customary "no shop, no talk" provisions, notification and matching rights, a break fee, a reverse break fee and the conditions to implementation of the Proposal.

The Proposal relates only to the acquisition by Dexus of 100% of the securities in APN. The Proposal does not involve the removal of the responsible entity of the funds managed by APN or any change in the management arrangements of those funds.

Next steps and indicative timetable

All APN securityholders will receive a Notice of Meeting and an Explanatory Memorandum (which will include an Independent Expert's report) to enable them to assess the merits of the Proposal.

APN securityholders who are entitled to vote will then vote on the Proposal at the APN securityholder meeting (in person or by proxy) to approve the Proposal. The APN securityholder meeting is expected to be held in July 2021.

Existing Dexus Security holders do not need to take any action in relation to this Proposal.

The expected key dates relevant to this Proposal include:

Key milestone	Date
First Court Hearing	Mid June 2021
Scheme booklet dispatched to APN securityholders	Late June 2021
APN securityholder meetings to approve the Proposal	Mid July 2021
Second Court Hearing	Late July 2021
Scheme becomes effective	Late July 2021
Record date for participating in Scheme	Early August 2021
Scheme implementation date	Early August 2021

Dexus has appointed Macquarie Capital as financial adviser and King & Wood Mallesons as legal adviser.

Attachments

- Annexure A – Scheme Implementation Deed

Authorised by Brett Cameron, General Counsel and Company Secretary of Dexus Funds Management Limited

For further information please contact:

Investors

Rowena Causley
Senior Manager, Investor Relations
+61 2 9017 1390
+61 416 122 383
rowena.causley@dexus.com

Media

Louise Murray
Senior Manager, Corporate Communications
+61 2 9017 1446
+61 403 260 754
louise.murray@dexus.com



About Dexus

Dexus is one of Australia's leading real estate groups, managing a high-quality Australian property portfolio valued at \$36.5 billion. We believe that the strength and quality of our relationships will always be central to our success and are deeply committed to working with our customers to provide spaces that engage and inspire. We invest only in Australia, and directly own \$15.5 billion of office and industrial properties. We manage a further \$21.0 billion of office, retail, industrial and healthcare properties for third party clients. The group's \$11.5 billion development pipeline provides the opportunity to grow both portfolios and enhance future returns. Dexus is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange (trading code: DXS) and is supported by more than 29,000 investors from 24 countries. With 36 years of expertise in property investment, development and asset management, we have a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns for investors. www.dexus.com

Dexus Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for Dexus (ASX: DXS)
Level 25, 264 George Street, Sydney NSW 2000

- 1 The Offer Price will be reduced by the value of any distributions declared by APN on or after the date of this announcement and prior to 30 September 2021, up to 1.5 cents per security.
- 2 Figures are as at 31 December 2020, pro forma to include new APN funds, the merger of ADPF and DWPF (prior to circa \$2 billion of redemptions) as well as the previously announced sales of Grosvenor Place, Sydney, 60 Miller Street, North Sydney, 10 Eagle Street, Brisbane, acquisition of an interest in 1 Bligh Street, Sydney, and previously announced industrial and healthcare acquisitions.
- 3 Equity value calculated based on Offer Price of 91.5 cents per security and total diluted securities of 349,638,821 including 20,090,778 unvested performance rights.

Appendix D – APN PG Scheme



Scheme of arrangement APN PG

APN Property Group Limited

Each person registered as a holder of APD Shares as at the Record Date

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Date: [●] 2021

This scheme of arrangement is made under section 411 of the Corporations Act.

Parties

- 1 **APN Property Group Limited (ACN 109 846 068)** of Level 30, 101 Collins Street, Melbourne 3000 Victoria, Australia (**APN PG**)
- 2 Each APD Shareholder as at the Record Date (**Scheme Shareholders**)

The parties agree

1 Defined terms and interpretation

1.1 Defined terms

A term or expression which is defined in the dictionary in Schedule 2 has the meaning given to it in the dictionary.

1.2 Interpretation

The interpretation clause in Schedule 2 sets out rules of interpretation for this Scheme.

2 Preliminary matters

2.1 APD

In respect of APD:

- (a) APN PG is a public company incorporated in Australia, registered in Victoria and is a company limited by shares.
- (b) APD Trust is a registered managed investment scheme. APN RE is the responsible entity of the APD Trust.
- (c) APN RE is a public company incorporated in Australia, registered in Victoria and is a company limited by shares.
- (d) APD is a stapled group, comprising APN PG and APD Trust, which is listed on the ASX.
- (e) As at the date of the Implementation Deed, 329,548,043 APD Securities were on issue. Each APD Security comprises one APD Share stapled to one APD Trust Unit, and they trade together as a stapled security on ASX.

2.2 Bidder

In respect of Bidder:

- (a) Bidder is an unlisted proprietary company limited by shares registered in New South Wales, Australia.
- (b) Guarantor is a public company limited by shares registered in Western Australia, Australia.

2.3 If Scheme becomes Effective

- (a) If this Scheme becomes Effective:
 - (i) in consideration of the transfer of the Scheme Shares and Scheme Trust Units to Bidder, Bidder must provide or procure the provision of the Scheme Consideration to APD on behalf of the Scheme Securityholders in accordance with this Scheme and the Deed Poll; and
 - (ii) all the Scheme Securities, and all the rights and entitlements attaching to them as at the Implementation Date, will be transferred to Bidder; and
 - (iii) APD will enter the name of Bidder in the Security Register in respect of all the Scheme Securities.
- (b) Bidder, Guarantor and APD have entered into the Implementation Deed in respect of (among other things) the implementation of this Scheme and the Trust Scheme.
- (c) This Scheme attributes certain actions to Bidder but does not itself impose any obligations on Bidder to perform those actions. By executing the Deed Poll, Bidder has agreed to perform the actions attributed to it under this Scheme and the Trust Scheme, and Guarantor has agreed to guarantee the performance of those obligations by Bidder, including the provision or procuring the provision of the Scheme Consideration to the Scheme Securityholders.
- (d) This Scheme attributes certain actions to APN RE (as responsible entity of the APD Trust) but does not itself impose any obligations on APN RE to perform those actions. Pursuant to the APD Trust Supplemental Deed, APN RE agrees to do all things that it considers necessary or desirable to give effect to the Trust Scheme and Implementation Deed (including implementing the Trust Scheme in a manner which is consistent with this Scheme).

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will not become Effective until and unless the following conditions precedent are satisfied:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme and the Court granting the Second Judicial Advice) are satisfied or waived in accordance with the terms of the Implementation Deed by 8:00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll is terminated in accordance with its terms before 8:00am on the Second Court Date;
- (c) this Scheme is approved by the Court having made orders under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to APD and Bidder (each acting reasonably);
- (d) unless APD waives the relevant condition in the Implementation Deed, the Court grants the Second Judicial Advice;
- (e) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to this Scheme as are acceptable to APD and Bidder are satisfied or waived; and

- (f) both:
 - (i) the order of the Court made under section 411(4)(b) of the Corporations Act approving this Scheme becoming Effective; and
 - (ii) the APD Trust Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.

3.2 Certificates

- (a) Each of APD and Bidder will provide a certificate (or such other evidence as the Court may require) to the Court at the Second Court Hearing confirming (in respect of matters within their knowledge) whether or not the conditions precedent in clauses 3.1(a) and 3.1(b) of this Scheme have been satisfied or waived (but in the case of the condition precedent in clause 3.1(a) only in respect of those conditions in clause 3.1 of the Implementation Deed (other than the condition relating to Court approval of this Scheme and the Court granting the Second Judicial Advice) included for that party's benefit).
- (b) The certificates given by APD and Bidder under clause 3.2(a) constitute conclusive evidence that the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

3.3 End Date

Without limiting any rights under the Implementation Deed, this Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date does not occur on or before the End Date; or
- (b) the Implementation Deed or the Deed Poll is terminated in accordance with its terms,

unless Bidder and APD otherwise agree in writing (and if required, as approved by the Court).

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

APN PG must lodge with ASIC an office copy of the order made by the Court under section 411(4)(b) of the Corporations Act approving this Scheme as soon as practicable and in any event before 5:00pm on the Business Day immediately following the day on which it receives an office copy of the court orders or such later date as APN PG and Bidder agree in writing.

4.2 Transfer of Scheme Shares

Subject to this Scheme becoming Effective, on the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 5.1, 5.2(b) and 5.2(c), all of the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by APN PG (or any of APN PG's directors, officers, or secretaries) as attorney and agent for Scheme Shareholders under clause 8.5), by:

- (i) APN PG, in its capacity as the attorney and agent of the Scheme Shareholders, duly completing and executing the Scheme Transfer on behalf of the Scheme Shareholders (as transferors), and delivering it to Bidder; and
- (ii) Bidder duly executing the Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to APN PG for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a), APD must enter, or procure the entry of, the name of Bidder in the Security Register in respect of all the Scheme Shares transferred to Bidder in accordance with this Scheme.

The transfer of all of the Scheme Shares to Bidder in accordance with this clause 4.2 must occur simultaneously with the transfer to Bidder of all of the Trust Scheme Units under the Trust Scheme.

5 Scheme Consideration

5.1 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Bidder of the Scheme Securities, each Scheme Securityholder will be entitled to the Scheme Consideration for each Scheme Security held by that Scheme Securityholder, subject to the terms of this Scheme and the Trust Scheme.

5.2 Provision of Scheme Consideration

- (a) Bidder's obligation to provide the Scheme Consideration will be satisfied by Bidder depositing (or procuring the deposit) in cleared funds an amount equal to the Aggregate Scheme Consideration less any amounts deducted in accordance with clause 5.2(f) into the Trust Account before 12 noon on the Business Day immediately before the Implementation Date (provided that any interest on the amount so deposited (less bank fees and other charges) (**Accrued Interest**) will accrue for the benefit of Bidder), such amount to be held by APD for the purposes of paying the Scheme Consideration to Scheme Securityholders in accordance with clause 5.2(b).
- (b) Subject to Bidder providing the Aggregate Scheme Consideration in accordance with clause 5.2(a), APD must, on the Implementation Date and from the Trust Account, pay (or procure the payment to each Scheme Securityholder of) the proportion of the Aggregate Scheme Consideration attributable to that Scheme Securityholder based on the number of Scheme Securities held by that Scheme Securityholder as at the Record Date, which obligation will be satisfied by APD:
 - (i) where a Scheme Securityholder has, before the Record Date, made an election in accordance with the requirements of the Registry to receive distribution payments from APD by electronic funds transfer to a bank account nominated by the Scheme Securityholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) dispatching, or procuring the dispatch of, a cheque drawn on an Australian bank in Australian currency for the relevant amount to the Scheme Securityholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Securityholder (or, in the case of joint holders, in accordance with clause 5.3).

- (c) If:
- (i) either:
 - (A) a Scheme Securityholder does not have a Registered Address; or
 - (B) APD as the trustee for the Scheme Securityholders believes that a Scheme Securityholder is not known at the Scheme Securityholder's Registered Address,
 and no account has been notified in accordance with clause 5.2(b)(i) or a deposit into such an account is rejected or refunded; or
 - (ii) a cheque issued under this clause 5 has been cancelled in accordance with clause 5.5(a),

APD as the trustee for the Scheme Securityholders may credit the amount payable to the relevant Scheme Securityholder to a separate bank account of APD (**Separate Account**) to be held until the Scheme Securityholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 2008* (Vic). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Securityholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 2008* (Vic).

Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 2008* (Vic), APD must hold the amount for the relevant Scheme Securityholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Securityholder when credited to the Separate Account or Trust Account (as applicable). APD must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

- (d) To the extent that there is a surplus in the amount held by APD as the trustee for the Scheme Securityholders in the Trust Account, that surplus may be paid by APD as the trustee for the Scheme Securityholders to Bidder following the satisfaction of APD's obligations as the trustee for the Scheme Securityholders under this clause 5.2.
- (e) APD must pay any Accrued Interest to any account nominated by Bidder following satisfaction of APD's obligations under clause 5.2(b).
- (f) If Bidder is required by Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (Cth) to pay amounts to the ATO in respect of the payment of Scheme Consideration to certain Scheme Securityholders, the parties agree that:
 - (i) Bidder is permitted to deduct the relevant amounts from the Aggregate Scheme Consideration before depositing the Aggregate Scheme Consideration in the Trust Account in accordance with clause 5.2(a), and remit such amounts to the ATO;
 - (ii) the Scheme Consideration payable to those Scheme Securityholders for whom a payment to the ATO has been made shall not be increased to reflect the deduction, and the net Scheme Consideration payable to those Scheme Securityholders shall be taken to be in full and final satisfaction of the amounts owing to those Scheme Securityholders; and

- (iii) Bidder must pay any amount so deducted from the Aggregate Scheme Consideration under 5.2(f)(i) to the ATO within the time permitted by law, and, if requested in writing by the relevant Scheme Securityholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Scheme Securityholder.

5.3 Joint holders

In the case of Scheme Securities held in joint names:

- (a) any cheque required to be sent under this Scheme and the Trust Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Security Register as at the Record Date; and
- (b) any other document required to be sent under this Scheme and the Trust Scheme will be forwarded to the holder whose name appears first in the Security Register as at the Record Date.

5.4 Fractional entitlements and splitting

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

5.5 Cancellation and re-issue of cheques

- (a) APD may cancel a cheque issued under this clause 5 if the cheque:
 - (i) is returned to APD; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Securityholder to APD (or the Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under clause 5.5(a) must be reissued.

5.6 Unclaimed monies

- (a) The *Unclaimed Money Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the *Unclaimed Money Act 2008* (Vic)).
- (b) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidder.

5.7 Orders of a court or Government Agency

If written notice is given to APD (or the Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires payment to a third party of a sum in respect of Scheme Securities held by a particular Scheme Securityholder, which sum would otherwise be payable to that Scheme Securityholder by APD in accordance with this clause 5, then APD will be entitled to make that payment (or procure that it is made) in accordance with that order or direction; or

- (b) prevents APD from making a payment to a particular Scheme Securityholder in accordance with clause 5.2(b), or such payment is otherwise prohibited by applicable law, APD will be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 5 is permitted by that order or direction or otherwise by law, and the payment or retention by APD will constitute full discharge of APD's obligations under clause 5.2(b) with respect to the amount so paid or retained until, in the case of clause 5.7(b), it is no longer required to be retained.

6 Dealings in APD Securities

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in APD Securities or other alterations to the Security Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Security Register as the holder of the relevant APD Securities at or before the Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received at or before the Record Date at the place where the Security Register is kept,

and APD must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received after the Record Date, or received prior to the Record Date but not in registrable or actionable form.

6.2 Register

- (a) APD must register, or cause to be registered, registrable transmission applications or transfers of Scheme Securities in accordance with clause 6.1(b) at or before the Record Date, provided that nothing in this clause 6.2(a) requires APD to register a transfer that would result in an APD Securityholder holding a parcel of APD Securities that is less than a 'marketable parcel' (as defined in the operating rules of ASX).
- (b) If this Scheme becomes Effective, a Scheme Securityholder (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Securities or any interest in them after the Record Date otherwise than pursuant to this Scheme and the Trust Scheme, and any attempt to do so will have no effect and APD will be entitled to disregard any such disposal, purported disposal or agreement.
- (c) For the purpose of determining entitlements to the Scheme Consideration, APD must maintain the Security Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Securityholders. The Security Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Scheme Securities (other than statements of holding in favour of Bidder) will cease to have effect after the Record Date as documents of title in respect of those securities and, as from that date, each entry current at that date on the Security Register (other than entries in respect of Bidder) will cease to

have effect except as evidence of entitlement to the Scheme Consideration in respect of the APD Securities relating to that entry.

- (e) As soon as practicable after the Record Date, and in any event within one Business Day after the Record Date, APD will ensure that the details of the names, Registered Addresses and holdings of APD Securities for each Scheme Securityholder as shown in the Security Register as at the Record Date are available to Bidder in the form Bidder reasonably requires.

7 Quotation of APD Securities

- (a) APD will apply to ASX to suspend trading in APD Securities with effect from the close of trading on the Effective Date.
- (b) APD will apply:
 - (i) for termination of the official quotation of APD Securities on the ASX; and
 - (ii) to have itself removed from the official list of ASX,in each case with effect on and from the close of trading on the trading day immediately following the Implementation Date, or such later date as may be:
 - (A) requested by Bidder, acting reasonably; and
 - (B) permitted by ASX.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) APD may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented (such consent not to be unreasonably withheld or delayed); and
- (b) each Scheme Shareholder agrees to any such alterations or conditions to which counsel for APD has consented.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
 - (i) agrees to the transfer of their Scheme Shares together with all rights and entitlements attaching to those Scheme Shares (other than any right to receive the Permitted Distribution and, if relevant, the Further Distribution) in accordance with this Scheme;
 - (ii) agrees to the variation, cancellation or modification of the rights attached to their Scheme Shares constituted by or resulting from this Scheme;
 - (iii) agrees to, on the direction of Bidder, destroy any share certificates relating to their Scheme Shares; and
 - (iv) acknowledges that this Scheme binds APN PG and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting),

without the need for any further act by the Scheme Shareholder.

- (b) Each Scheme Shareholder is taken to have warranted to APD and Bidder, and appointed and authorised APN PG as its attorney and agent to warrant to Bidder, that:
 - (i) all their Scheme Shares (including any rights and entitlements attaching to their Scheme Shares) which are transferred under this Scheme will, at the time of transfer of them to Bidder, be fully paid and free from all:
 - (A) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (B) restrictions on transfer of any kind;
 - (ii) they have full power and capacity to transfer their Scheme Shares to Bidder together with any rights attaching to those Scheme Shares; and
 - (iii) as at the Record Date, they have no existing right to be issued any other Scheme Shares or any other form of APD securities.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme will, at the time of transfer of them to Bidder, vest in Bidder free from all:
 - (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (ii) restrictions on transfer of any kind.
- (b) On the provision of the Scheme Consideration in the manner contemplated by clause 5, Bidder will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by APD of Bidder in the Security Register as the holder of the Scheme Shares. Bidder's entitlement to be registered in the Security Register as the holder of the Scheme Shares arises on the Implementation Date in accordance with clause 4.2.

8.4 Appointment of sole proxy

On the provision of the Scheme Consideration in the manner contemplated by clause 5 and until APD registers Bidder as the holder of all Scheme Securities in the Security Register, each Scheme Shareholder:

- (a) is deemed to have appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution whether in person, by proxy or by corporate representative;
- (b) must not attend or vote at any securityholders' meetings or sign any securityholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Bidder reasonably directs; and

- (d) acknowledges and agrees that in exercising the powers conferred by clause 8.4(a), Bidder and any director, officer, secretary or agent nominated by Bidder under that clause may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

8.5 Authority given to APN PG

On and from the Effective Date, each Scheme Shareholder, without the need for any further act, irrevocably appoints APN PG and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purposes of:

- (a) enforcing the Deed Poll against Bidder and Guarantor; and
- (b) executing any document, or doing or taking any other act, necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including executing the Scheme Transfer,

and APN PG accepts such appointment. APN PG, as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers or secretaries (jointly, severally or jointly and severally).

8.6 Binding effect of this Scheme

This Scheme binds APN PG and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of APN PG.

9 General

9.1 Stamp duty

Bidder will:

- (a) pay all stamp duty (if any) and any related fines and penalties payable in respect of the Schemes and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with the Schemes and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

9.2 Consent

Each Scheme Shareholder consents to APN PG doing all things necessary or incidental to give full effect to the implementation of this Scheme and the transactions contemplated by it, whether on behalf of the Scheme Shareholders, APN PG or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to APN PG, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at APN PG's registered office or at the office of the Registry.

- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by an APD Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law and jurisdiction

- (a) This Scheme and any dispute arising out of or in connection with the subject matters of this document is governed by the laws in force in Victoria, Australia.
- (b) Each party irrevocably:
 - (i) submits to the non-exclusive jurisdiction of the courts of Victoria, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this Scheme; and
 - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 9.4(b)(i).

9.5 Further action

APD must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

Schedule 2 Dictionary

1 Dictionary

Accrued Interest has the meaning given in clause 5.2(a).

Aggregate Scheme Consideration means the Scheme Consideration multiplied by the total number of Scheme Securities.

APD means APN PG and/or APN RE, as the context requires.

APD Security means an APD Share stapled to an APD Trust Unit.

APD Securityholder means a holder of one or more APD Securities, as shown in the Security Register.

APD Share means a fully paid ordinary share in the capital of APN PG.

APD Shareholders means each person who is registered in the Security Register as a holder of APD Shares.

APD Trust means the APD Trust (ARSN 629 330 007) whose units are stapled to shares of APN PG.

APD Trust Constitution means the constitution establishing the APD Trust as amended from time to time.

APD Trust Supplemental Deed has the meaning given in the Implementation Deed.

APD Trust Unit means a fully paid ordinary unit in the APD Trust.

APN RE means APN RE Limited (ACN 627 612 202) as responsible entity of the APD Trust (ARSN 629 330 007).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, where the context requires, the financial market operated by it.

ATO means the Australian Taxation Office.

Bidder means Dexs Nominee Pty Limited (ACN 650 020 643).

Business Day has the meaning given in the Listing Rules.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited and ASX Clear Pty Limited.

Corporations Act means the *Corporations Act 2001* (Cth).

Court means the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act as agreed in writing between Bidder and APD.

Deed Poll means the deed poll dated 10 June 2021 under which, among other things, Bidder covenants in favour of Scheme Securityholders to provide the Scheme Consideration in accordance with the Schemes.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to this Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means 6 months after the date of the Implementation Deed or such later date as Bidder and APD agree in writing.

Further Distribution has the meaning given in the Implementation Deed.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

Guarantor means Dexu Funds Management Limited (ABN 24 060 920 783).

Implementation Date means the fifth Business Day after the Record Date or such other day as Bidder and APD agree in writing.

Implementation Deed means the scheme implementation deed dated 11 May 2021 between APD, Bidder and Guarantor relating to, among other things, the implementation of the Schemes.

Listing Rules means the official listing rules of ASX.

Notice has the meaning given in the Implementation Deed.

Permitted Distribution has the meaning given in the Implementation Deed.

Record Date means 7:00pm on the second Business Day after the Effective Date of the Schemes, or such other time and date as Bidder and APD agree in writing and ASX may allow.

Registered Address means, in relation to a Scheme Securityholder, the address shown in the Security Register as at the Record Date.

Registry means Link Market Services Limited (ACN 083 214 537).

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Scheme means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and agreed to in writing by APD and Bidder.

Scheme Consideration means, in respect of each Scheme Security, 91.5 cents as adjusted in accordance with clause 5.1(c) of the Implementation Deed (if applicable).

Scheme Meeting means the meeting of APD Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act.

Scheme Security means an APD Security held by a Scheme Securityholder as at the Record Date.

Scheme Securityholder means an APD Securityholder as at the Record Date.

Scheme Share means an APD Share held by a Scheme Shareholder as at the Record Date.

Scheme Shareholder means a holder of one or more APD Shares recorded in the Security Register as at the Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Scheme Shares.

Schemes means this Scheme and the Trust Scheme.

Second Court Date means the first day on which an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving this Scheme is heard and the Second Judicial Advice is sought (or if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Second Judicial Advice has the meaning given in the Implementation Deed.

Security Register means the register of APD Securityholders maintained in accordance with the Corporations Act.

Separate Account has the meaning given in clause 5.2(c).

Trust Account means an Australian dollar denominated trust account which is operated by APD as trustee for the Scheme Securityholders.

Trust Scheme has the meaning given in the Implementation Deed.

Trust Scheme Unit means APD Trust Units as at the Record Date.

2 Interpretation

In this Scheme, the following rules of interpretation apply unless the contrary intention appears.

- (a) Headings are for convenience only and do not affect the interpretation of this Scheme.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.

- (e) The words “include”, “including”, “such as”, “for example” and similar expressions are not words of limitation and do not limit what else might be included.
- (f) A reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
 - (ii) a thing (including a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this Scheme (as applicable);
 - (vi) this Scheme includes all schedules to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement (other than this Scheme) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
 - (ix) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends; and
 - (x) a monetary amount is in Australian dollars.
- (g) An agreement on the part of two or more persons binds them jointly and severally.
- (h) When the day on which something must be done is not a Business Day, that thing must be done on the following Business Day.
- (i) In determining the time of day where relevant to this Scheme, the time of day is:
 - (i) for the purposes of giving or receiving Notice, the time of day where the party receiving Notice is located; or
 - (ii) for any other purpose under this Scheme, the time of day in the place where the party required to perform an obligation is located.
- (j) No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this Scheme or any part of it.

Appendix E – APD Trust Supplemental Deed

Constitution of APD Trust Amending Deed

APN RE Limited ACN 109 846 068

Gilbert + Tobin

3470-7605-4548 v3

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Date: [•] 2021

Parties

- 1 **APN RE Limited (ACN 627 612 202)** of Level 30, 101 Collins Street, Melbourne VIC 3000 (**Responsible Entity** or **APN RE**)
-

1 Defined terms and interpretation

1.1 Defined terms

A term or expression which is defined in the dictionary in Schedule 1 has the meaning given to it in the dictionary.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this deed.

2 Preliminary matters

2.1 APD

In respect of APD:

- (a) APD Trust is a registered managed investment scheme. The Responsible Entity is the responsible entity of APD Trust.
- (b) APN RE is a public company incorporated in Australia, registered in Victoria and is a company limited by shares.
- (c) APD Trust is governed by a trust deed dated 11 October 2018 as amended from time to time (APD Trust Constitution) and lodged with ASIC.
- (d) APN PG is a public company incorporated in Australia, registered in Victoria and is a company limited by shares.
- (e) APD is a stapled group, comprising APN PG and APD Trust, which is listed on the ASX.
- (f) As at the date of the Implementation Deed, 329,548,043 APD Securities were on issue. Each APD Security comprises one APD Share stapled to one APD Trust Unit, and they trade together as a stapled security on ASX.

2.2 Bidder

In respect of Bidder:

- (a) Bidder is an unlisted proprietary company limited by shares registered in New South Wales, Australia.
- (b) Guarantor is a public company limited by shares registered in Western Australia, Australia.

2.3 If Schemes become Effective

- (a) If the Schemes become Effective, Bidder will acquire the Scheme Securities under the APN PG Scheme and the Trust Scheme.

- (b) Bidder, Guarantor and APD have entered into the Implementation Deed in respect of (among other things) the implementation of the APN PG Scheme and the Trust Scheme.
- (c) The APD Trust Constitution must be amended in the manner set out in this deed to facilitate the Trust Scheme.
- (d) Section 601GC(1)(a) of the Corporations Act provides that the APD Trust Constitution may be modified by special resolution of the Trust Unitholders.
- (e) At a meeting of Trust Unitholders held on [•] 2021, Trust Unitholders approved the Trust Scheme Resolutions, including a special resolution to make the amendments to the APD Trust Constitution contained in this deed.

3 Conditions

This deed is conditional upon, and will have no force or effect until, the satisfaction of each condition precedent in clause 3.1 of the APN PG Scheme in accordance with the terms of the APN PG Scheme other than (to the extent relevant) the coming into effect of the amendments made by this deed.

4 Operation of this deed

With effect on and from the Effective Date, the APD Trust Constitution is amended in the manner set out in Schedule 2 and Schedule 3.

5 Amendment of the APD Trust Constitution

5.1 Amendment

- (a) The APD Trust Constitution as it applies to the APD Trust is amended by:
 - (i) inserting as a new clause 28A in the APD Trust Constitution the text contained in Schedule 2 of this deed; and
 - (ii) amending the definitions in clause 1.1 of the APD Trust Constitution as set out in Schedule 3 of this deed, including (where relevant) replacing any existing definition in the APD Trust Constitution with the definition as set out in Schedule 3 of this deed.
- (b) The Responsible Entity confirms that it is not by this deed intending to:
 - (i) declare, resettle or re-declare the trust declared under the APD Trust Constitution; or
 - (ii) cause the transfer, vesting or accruing of any property comprising the assets of the APD Trust in any person; or
 - (iii) terminate the trust declared under the APD Trust Constitution.
- (c) The APD Trust Constitution as it applies to the APD Trust and as amended by this deed is the constitution of the APD Trust.

5.2 Binding conditions

This deed is binding on the Responsible Entity, each Trust Unitholder and any other person claiming through any of them as if each was a party to this deed.

6 Governing law and jurisdiction

- (a) This deed and any dispute arising out of or in connection with the subject matters of this deed is governed by the laws in force in Victoria, Australia.
- (b) Each person bound by this deed irrevocably:
 - (i) submits to the non-exclusive jurisdiction of the courts of Victoria, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to this deed; and
 - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 6(b)(i) of this deed.

Schedule 1 Dictionary

1 Dictionary

In this deed:

APD means APN PG and/or APN RE, as the context requires.

APD Security means an APD Share stapled to an APD Trust Unit.

APD Securityholder means a holder of one or more APD Securities, as shown in the Security Register.

APD Share means a fully paid ordinary share in the capital of APN PG.

APD Trust means the APD Trust (ARSN 629 330 007) whose units are stapled to shares of APN PG.

APD Trust Constitution has the meaning given in paragraph 2.1(b) of clause 2.

APD Trust Unit means a fully paid ordinary unit in the APD Trust.

APN PG means APN Property Group Limited (ACN 109 846 068).

APN PG Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between APN PG and the APN PG Scheme Participants, the form of which is attached as Attachment B of the Implementation Deed, or such other form agreed in writing between Bidder and APD.

APN PG Scheme Participants has the meaning given in the Implementation Deed.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, where the context requires, the financial market operated by it.

Bidder means Dexus Nominee Pty Limited (ACN 650 020 643).

Business Day has the meaning given in the Listing Rules.

Corporations Act means *the Corporations Act 2001* (Cth).

Deed Poll means the deed poll dated 10 June 2021 under which, among other things, Bidder covenants in favour of Scheme Securityholders to provide the Scheme Consideration in accordance with the Schemes.

Effective Date means the date on which a copy of this amending deed is lodged with ASIC under section 601GC(2) of the Corporations Act.

Guarantor means Dexus Funds Management Limited (ABN 24 060 920 783).

Implementation Deed means the scheme implementation deed dated 11 May 2021 between APD, Bidder and Guarantor relating to, among other things, the implementation of the Schemes.

Listing Rules means the official listing rules of ASX.

Notice has the meaning given in the Implementation Deed.

Record Date means 7:00pm on the second Business Day after the Effective Date of the Schemes, or such other time and date as Bidder and APD agree in writing and ASX may allow.

Scheme Security means an APD Security held by a Scheme Securityholder as at the Record Date.

Scheme Securityholder means an APD Securityholder as at the Record Date.

Scheme Unitholder means a person who is registered in the Security Register as holder of APD Trust Units as at the Record Date.

Schemes means the Trust Scheme and the APN PG Scheme.

Security Register means the register of APD Securityholders maintained in accordance with the Corporations Act.

Trust Scheme means an arrangement under which Bidder acquires all of the APD Trust Units from the Trust Scheme Participants facilitated by amendments to the APD Trust Constitution as set out in Schedule 2 and Schedule 3 of this deed, subject to the requisite approvals of the Trust Unitholders.

Trust Scheme Participants means each person registered in the Security Register as a holder of Trust Scheme Units as at the Record Date.

Trust Scheme Resolutions means the resolutions to approve the Trust Scheme including:

- (a) a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the APD Trust Constitution as set out in this deed; and
- (b) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all of the APD Trust Units by Bidder.

Trust Scheme Unit means APD Trust Units as at the Record Date.

Trust Unitholder means each person who is registered in the Security Register as a holder of APD Trust Units.

2 Interpretation

In this deed, the following rules of interpretation apply unless the contrary intention appears:

- (a) Headings are for convenience only and do not affect the interpretation of this deed.
- (b) The singular includes the plural and vice versa.
- (c) Words that are gender neutral or gender specific include each gender.
- (d) Where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings.

- (a) The words “include”, “including”, “such as”, “for example” and similar expressions are not words of limitation and do not limit what else might be included.
- (e) A reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate or entity (as that term is defined in section 64A of the Corporations Act);
 - (ii) a thing (including a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or a party, schedule or attachment to, this deed (as applicable);
 - (vi) this deed includes all schedules to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a Listing Rule and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement (other than this deed) includes an undertaking or legally enforceable arrangement or understanding (whether or not in writing);
 - (ix) a time period includes the date referred to as that on which the period begins and the date referred to as that on which the period ends; and
 - (x) a monetary amount is in Australian dollars.
- (b) An agreement on the part of two or more persons binds them jointly and severally.
- (c) When the day on which something must be done is not a Business Day, that thing must be done on the following Business Day.
- (d) In determining the time of day where relevant to this deed, the time of day is:
 - (i) for the purposes of giving or receiving Notice, the time of day where the party receiving Notice is located; or
 - (ii) for any other purpose under this deed, the time of day in the place where the party required to perform an obligation is located.
- (e) No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this deed or any part of it.

Schedule 2 New clause 28A of the APD Trust Constitution

28A Trust Scheme

28A.1 Implementation of the Trust Scheme

- (a) Each Scheme Unitholder and the Responsible Entity must do all things and execute all deeds, instruments, transfers or other documents as the Responsible Entity considers are necessary or desirable to give full effect to the terms of the Trust Scheme and the transactions contemplated by it.
- (b) Without limiting the Responsible Entity's other powers under this clause 28A, the Responsible Entity has power to do all things that it considers necessary or desirable to give effect to the Trust Scheme and the Implementation Deed.
- (c) The Trust Scheme is intended to, in a manner consistent with the APN PG Scheme, result in the transfer of the Scheme Securities to Bidder in return for the Scheme Consideration being received by the Scheme Securityholders. If there is any inconsistency between the Trust Scheme and the APN PG Scheme, the Responsible Entity is authorised to take, and must take any steps required, to implement the Schemes in a manner which is consistent with the APN PG Scheme.

28A.2 Transfer of Trust Scheme Units

Subject to the Trust Scheme becoming Effective, on the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 28A.3, 28A.4(b) and 28A.4(c), all of the Trust Scheme Units, together with all rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder, without the need for any further act by any Scheme Unitholder (other than acts performed by the Responsible Entity (or any of the Responsible Entity's directors, officers, or secretaries) as attorney and agent for Scheme Unitholders under clause 28A.16), by:
 - (1) the Responsible Entity, in its capacity as the attorney and agent of the Scheme Unitholders, duly completing and executing the Scheme Transfer on behalf of the Scheme Unitholders (as transferors), and delivering it to Bidder; and
 - (2) Bidder duly executing the Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to the Responsible Entity for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 28A.2(a), APD must enter, or procure the entry of, the name of Bidder in the Security Register in respect of all the Trust Scheme Units transferred to Bidder in accordance with the Trust Scheme.

The transfer of all of the Trust Scheme Units to Bidder in accordance with this clause 28A.2 must occur simultaneously with the transfer to Bidder of all of the Scheme Shares under the APN PG Scheme.

28A.3 Entitlement to Scheme Consideration

- (a) On the Implementation Date, in consideration for the transfer to Bidder of the Scheme Securities, each Scheme Securityholder will be entitled to the Scheme Consideration for each Scheme Security held by that Scheme Securityholder, subject to the terms of the APN PG Scheme and the Trust Scheme.

28A.4 Provision of Scheme Consideration

- (a) Bidder's obligation to provide the Scheme Consideration will be satisfied by Bidder depositing (or procuring the deposit) in cleared funds an amount equal to the Aggregate Scheme Consideration less any amounts deducted in accordance with clause 28A.4(f) into the Trust Account before 12 noon on the Business Day immediately before the Implementation Date (provided that any interest on the amount so deposited (less bank fees and other charges) (**Accrued Interest**) will accrue for the benefit of Bidder), such amount to be held by APD for the purposes of paying the Scheme Consideration to Scheme Securityholders in accordance with clause 28A.4(b).
- (b) Subject to Bidder providing the Aggregate Scheme Consideration in accordance with clause 28A.4(a), APD must, on the Implementation Date and from the Trust Account, pay (or procure the payment to each Scheme Securityholder of) the proportion of the Aggregate Scheme Consideration attributable to that Scheme Securityholder based on the number of Scheme Securities held by that Scheme Securityholder as at the Record Date, which obligation will be satisfied by APD:
 - (i) where a Scheme Securityholder has, before the Record Date, made an election in accordance with the requirements of the Registry to receive distribution payments from APD by electronic funds transfer to a bank account nominated by the Scheme Securityholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or
 - (ii) dispatching, or procuring the dispatch of, a cheque drawn on an Australian bank in Australian currency for the relevant amount to the Scheme Securityholder by prepaid post to their Registered Address, such cheque being drawn in the name of the Scheme Securityholder (or, in the case of joint holders, in accordance with clause 28A.5).
- (c) If:
 - (i) either:
 - (A) a Scheme Securityholder does not have a Registered Address; or
 - (B) APD as the trustee for the Scheme Securityholders believes that a Scheme Securityholder is not known at the Scheme Securityholder's Registered Address,and no account has been notified in accordance with clause 28A.4(b)(i) or a deposit into such account is rejected or refunded; or
 - (ii) a cheque issued under this clause 28A.4 has been cancelled in accordance with clause 28A.7,APD as the trustee for the Scheme Securityholders may credit the amount payable to the relevant Scheme Securityholder to a separate bank account of APD

(**Separate Account**) to be held until the Scheme Securityholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 2008* (Vic). To avoid doubt, if the amount is not credited to a Separate Account, the amount will continue to be held in the Trust Account until the Scheme Securityholder claims the amount or the amount is dealt with in accordance with the *Unclaimed Money Act 2008* (Vic).

Until such time as the amount is dealt with in accordance with the *Unclaimed Money Act 2008* (Vic), APD must hold the amount for the relevant Scheme Securityholder, but any interest or other benefit accruing from the amount will be to the benefit of Bidder. An amount credited to the Separate Account or Trust Account (as applicable) is to be treated as having been paid to the Scheme Securityholder when credited to the Separate Account or Trust Account (as applicable). APD must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.

- (d) To the extent that there is a surplus in the amount held by APD as the trustee for the Scheme Securityholders in the Trust Account, that surplus may be paid by APD as the trustee for the Scheme Securityholders to Bidder following the satisfaction of APD's obligations as the trustee for the Scheme Securityholders under this clause 28A.4.
- (e) APD must pay any Accrued Interest to any account nominated by Bidder following satisfaction of APD's obligations under clause 28A.4(b).
- (f) If Bidder is required by Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (Cth) to pay amounts to the ATO in respect of the payment of Scheme Consideration to certain Scheme Securityholders, the parties agree that:
 - (i) Bidder is permitted to deduct the relevant amounts from the Aggregate Scheme Consideration before depositing the Aggregate Scheme Consideration in the Trust Account in accordance with clause 28A.4(a), and remit such amounts to the ATO;
 - (ii) the Scheme Consideration payable to those Scheme Securityholders for whom a payment to the ATO has been made shall not be increased to reflect the deduction, and the net Scheme Consideration payable to those Scheme Securityholders shall be taken to be in full and final satisfaction of the amounts owing to those Scheme Securityholders; and
 - (iii) Bidder must pay any amount so deducted from the Aggregate Scheme Consideration under clause 28A.4(f)(i) to the ATO within the time permitted by law, and, if requested in writing by the relevant Scheme Securityholder, provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or other evidence) to the relevant Scheme Securityholder.

28A.5 Joint holders

In the case of Scheme Securities held in joint names:

- (a) any cheque required to be sent under the APN PG Scheme and the Trust Scheme will be made payable to the joint holders and sent to the holder whose name appears first in the Security Register as at the Record Date; and

- (b) any other document required to be sent under the APN PG Scheme and the Trust Scheme will be forwarded to the holder whose name appears first in the Security Register as at the Record Date.

28A.6 Fractional entitlements and splitting

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Securityholder would result in the Scheme Securityholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

28A.7 Cancellation and re-issue of cheques

- (a) APD may cancel a cheque issued under this clause 28A if the cheque:
 - (i) is returned to APD; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Securityholder to APD (or the Registry) (which request may not be made until the date which is 5 Business Days after the Implementation Date), a cheque that was previously cancelled under clause 28A.7(a) must be reissued.

28A.8 Unclaimed monies

- (c) The *Unclaimed Money Act 2008* (Vic) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the *Unclaimed Money Act 2008* (Vic)).
- (d) Any interest or other benefit accruing from unclaimed Scheme Consideration will be to the benefit of Bidder.

28A.9 Orders of a court or Government Agency

If written notice is given to APD (or the Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires payment to a third party of a sum in respect of Scheme Securities held by a particular Scheme Securityholder, which sum would otherwise be payable to that Scheme Securityholder by APD in accordance with this clause 28A, then APD will be entitled to make that payment (or procure that it is made) in accordance with that order or direction; or
- (b) prevents APD from making a payment to a particular Scheme Securityholder in accordance with clause 28A.4(b) or such payment is otherwise prohibited by applicable law, APD will be entitled to retain an amount, in Australian dollars, equal to the amount of the relevant payment until such time as payment in accordance with this clause 28A is permitted by that order or direction or otherwise by law,

and the payment or retention by APD will constitute full discharge of APD's obligations under clause 28A.4(b) with respect to the amount so paid or retained until, in the case of clause 28A.9(b), it is no longer required to be retained.

28A.10 Determination of Scheme Unitholders

To establish the identity of the Scheme Unitholders, dealings in APD Securities and other alterations to the Security Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Security Register as the holder of the relevant APD Securities on or before the Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of those alterations, are received at or before the Record Date at the place where the Security Register is kept,

and APD must not accept for registration, nor recognise for any purpose (except a transfer to Bidder pursuant to the Trust Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application or other request received after the Record Date, or received prior to the Record Date but not in registrable or actionable form.

28A.11 Register

- (a) APD must register, or cause to be registered, registrable transmission applications or transfers of Scheme Securities in accordance with clause 28A.10(b) at or before the Record Date, provided that nothing in this clause 28A.11(a) requires APD to register a transfer that would result in an APD Securityholder holding a parcel of APD Securities that is less than a 'marketable parcel' (as defined in the operating rules of ASX).
- (b) If the Trust Scheme becomes Effective, a Scheme Securityholder (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Securities or any interest in them after the Record Date otherwise than pursuant to the APN PG Scheme and the Trust Scheme, and any attempt to do so will have no effect and APD will be entitled to disregard any such disposal, purported disposal or agreement.
- (c) For the purpose of determining entitlements to the Scheme Consideration, APD must maintain the Security Register in accordance with the provisions of this clause 28A.11 until the Scheme Consideration has been paid to the Scheme Securityholders. The Security Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for Scheme Securities (other than statements of holding in favour of Bidder) will cease to have effect after the Record Date as documents of title in respect of those securities and, as from that date, each entry current at that date on the Security Register (other than entries in respect of Bidder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the APD Securities relating to that entry.
- (e) As soon as practicable after the Record Date, and in any event within one Business Day after the Record Date, APD will ensure that the details of the names, Registered Addresses and holdings of APD Securities for each Scheme Securityholder as shown in the Security Register as at the Record Date are available to Bidder in the form Bidder reasonably requires.

28A.12 Quotation of APD Securities

- (a) APD will apply to ASX to suspend trading in APD Securities with effect from the close of trading on the Effective Date.

(b) APD will apply:

- (i) for termination of the official quotation of APD Securities on the ASX; and
- (ii) to have itself removed from the official list of the ASX,

in each case with effect on and from the close of trading on the trading day immediately following the Implementation Date, or such later date as may be:

- (A) requested by Bidder, acting reasonably; and
- (B) permitted by ASX.

28A.13 Scheme Unitholders' agreements and warranties

(a) Each Scheme Unitholder:

- (i) agrees to the transfer of their Trust Scheme Units together with all rights and entitlements attaching to those Trust Scheme Units (other than any right to receive the Permitted Distribution and, if relevant, the Further Distribution) in accordance with the Trust Scheme;
- (ii) agrees to the variation, cancellation or modification of the rights attached to their Trust Scheme Units constituted by or resulting from the Trust Scheme;
- (iii) agrees to, on the direction of Bidder, destroy any unit certificates relating to their Trust Scheme Units; and
- (iv) acknowledges that the Trust Scheme binds the Responsible Entity and all Scheme Unitholders (including those who do not attend the Trust Scheme Meeting and those who did not vote, or voted against the Trust Scheme, at the Trust Scheme Meeting),

without the need for any further act by the Scheme Unitholder.

(b) Each Scheme Unitholder is taken to have warranted to APD and Bidder, and appointed and authorised the Responsible Entity as its attorney and agent to warrant to Bidder, that:

- (iii) all their Trust Scheme Units (including any rights and entitlements attaching to their Scheme Securities) which are transferred under the Trust Scheme will, at the time of transfer of them to Bidder, be fully paid and free from all:
 - (A) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (B) restrictions on transfer of any kind;
- (iv) they have full power and capacity to transfer their Trust Scheme Units to Bidder together with any rights attaching to those Trust Scheme Units; and
- (v) as at the Record Date, they have no existing right to be issued any other Trust Scheme Units or any other form of APD securities.

The Responsible Entity undertakes that it will provide such warranties to Bidder as agent and attorney of each Scheme Unitholder.

28A.14 Title to and rights in Trust Scheme Units

- (a) To the extent permitted by law, the Trust Scheme Units (including all rights and entitlements attaching to the Trust Scheme Units) transferred under the Trust Scheme will, at the time of transfer of them to Bidder, vest in Bidder free from all:
 - (i) mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise; and
 - (ii) restrictions on transfer of any kind.
- (b) On the provision of the Scheme Consideration in the manner contemplated by clause 28A.4, Bidder will be beneficially entitled to the Trust Scheme Units to be transferred to it under the Trust Scheme pending registration by APD of Bidder in the Security Register as the holder of the Trust Scheme Units. Bidder's entitlement to be registered in the Security Register as the holder of the Trust Scheme Units arises on the Implementation Date in accordance with clause 28A.2.

28A.15 Appointment of sole proxy

On the provision of the Scheme Consideration in the manner contemplated by clause 28A.4 and until APD registers Bidder as the holder of all Scheme Securities in the Security Register, each Scheme Unitholder:

- (a) is deemed to have appointed Bidder as attorney and agent (and directed Bidder in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder as its sole proxy and, where applicable or appropriate, corporate representative to attend unitholders' meetings, exercise the votes attaching to the Trust Scheme Units registered in their name and sign any unitholders' resolution whether in person, by proxy or by corporate representative;
- (b) must not attend or vote at any securityholders' meetings or sign any securityholders' resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 28A.15(a));
- (c) must take all other actions in the capacity of a registered holder of Trust Scheme Units as Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 28A.15(a), Bidder and any director, officer, secretary or agent nominated by Bidder under that clause may act in the best interests of Bidder as the intended registered holder of the Trust Scheme Units.

28A.16 Authority given to the Responsible Entity

On and from the Effective Date, each Scheme Unitholder, without the need for any further act, irrevocably appoints the Responsible Entity and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purposes of:

- (a) enforcing the Deed Poll against Bidder and the Guarantor; and
- (b) executing any document, or doing or taking any other act necessary, desirable or expedient to give effect to the Trust Scheme and the transactions contemplated by it, including executing the Scheme Transfer,

and the Responsible Entity accepts such appointment. The Responsible Entity, as attorney and agent of each Scheme Unitholder, may sub-delegate its functions, authorities or powers under this clause 28A.16 to all or any of its directors, officers or secretaries (jointly, severally or jointly and severally).

28A.17 Binding effect of this clause

From the Effective Date:

- (a) this clause 28A binds the Responsible Entity and all Scheme Unitholders (including those who did not attend the Trust Scheme Meeting and those who did not vote, or voted against the Trust Scheme, at the Trust Scheme Meeting) and, to the extent of any inconsistency, overrides any other part of this deed;
- (b) the Responsible Entity and, so far as is relevant, the Scheme Unitholders, must give effect to the Trust Scheme in accordance with its terms; and
- (c) the Responsible Entity may amend the terms of the Trust Scheme if such amendment is not inconsistent with the approval given by the Scheme Unitholders under the Trust Scheme Resolutions and this clause 28A shall apply to the Trust Scheme as amended.

28A.18 Stamp duty

Bidder will:

- (a) pay all stamp duty (if any) and any related fines and penalties payable in respect of the Schemes and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with the Schemes and the Deed Poll; and
- (b) indemnify each Scheme Unitholder against any liability arising from failure to comply with clause 28A.18(a).

28A.19 Consent

Each Scheme Unitholder consents to the Responsible Entity doing all things necessary or incidental to give full effect to the implementation of the Trust Scheme and the transactions contemplated by it, whether on behalf of the Scheme Unitholders, the Responsible Entity or otherwise.

28A.20 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in the Trust Scheme is sent by post to the Responsible Entity, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at the Responsible Entity's registered office or at the office of the Registry.
- (b) The accidental omission to give notice of the Trust Scheme Meeting or the non-receipt of such notice by a Member will not, unless so ordered by the Court, invalidate the Trust Scheme Meeting or the proceedings of the Trust Scheme Meeting.

28A.21 Cessation of operation

Clause 28A ceases to have any force or operation if the Implementation Deed or Deed Poll is terminated in accordance with its terms or the APN PG Scheme lapses in accordance with clause 3.3 of the APN PG Scheme.

28A.22 Limitation of liability

Without limiting clause 17 but subject to the Corporations Act, the Responsible Entity will not have any liability of any nature whatsoever to Members, beyond the extent to which the Responsible Entity is actually indemnified out of the Assets, arising, directly or indirectly, from the Responsible Entity doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with the implementation of the Trust Scheme.

Schedule 3 Amendments to clause 1.1 of the APD Trust Constitution

The following new definitions are inserted into the definitions contained in clause 1.1 of the APD Trust Constitution in alphabetical order having regard to the existing definitions:

Aggregate Scheme Consideration means the Scheme Consideration multiplied by the total number of Scheme Securities.

APD means APN PG and/or APN RE, as the context requires.

APD Security means an APD Share stapled to an APD Trust Unit.

APD Securityholder means a holder of one or more APD Securities, as shown in the Security Register.

APD Share means a fully paid ordinary share in the capital of APN PG.

APD Trust means the APD Trust (ARSN 629 330 007) whose units are stapled to shares of APN PG.

APD Trust Supplemental Deed has the meaning given in the Implementation Deed.

APD Trust Unit means a fully paid ordinary unit in the APD Trust.

APN PG means APN Property Group Limited (ACN 109 846 068).

APN PG Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between APN PG and the APN PG Scheme Participants, the form of which is attached as Attachment B of the Implementation Deed, or such other form agreed in writing between Bidder and APD.

APN PG Scheme Participants has the meaning given in the Implementation Deed.

APN RE means APN RE Limited (ACN 627 612 202) as responsible entity of the APD Trust.

ATO means the Australian Taxation Office.

Bidder means Dexus Nominee Pty Limited (ACN 650 020 643).

Business Day has the meaning given in the Listing Rules for the purposes of clause 28A.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

Court means the Supreme Court of Victoria or such other court of competent jurisdiction under the Corporations Act as agreed in writing between Bidder and APD.

Deed Poll means the deed poll dated 10 June 2021 under which, among other things, Bidder covenants in favour of Scheme Securityholders to provide the Scheme Consideration in accordance with the Schemes.

Effective means the APD Trust Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act.

Effective Date means is the date on which a copy of the APD Trust Supplemental Deed is lodged with ASIC under section 601GC(2) of the Corporations Act.

Further Distribution has the meaning given in the Implementation Deed.

Government Agency means any foreign or Australian government or governmental, semi-governmental, administrative, fiscal, statutory or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian. It also includes any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions (including ASIC and the Takeovers Panel).

Guarantor means Dexus Funds Management Limited (ABN 24 060 920 783).

Implementation Date means the fifth Business Day after the Record Date or such other day as Bidder and APD agree in writing.

Implementation Deed means the scheme implementation deed dated 11 May 2021 between APD, Bidder and Guarantor relating to, among other things, the implementation of the Schemes.

Permitted Distribution has the meaning given in the Implementation Deed.

Record Date means 7:00pm on the second Business Day after the Effective Date of the Schemes, or such other time and date as Bidder and APD agree in writing and ASX may allow.

Registered Address means, in relation to a Scheme Securityholder, the address shown in the Security Register as at the Record Date.

Registry means Link Market Services Limited (ACN 083 214 537).

Scheme Consideration means, in respect of each Scheme Security, 91.5 cents as adjusted in accordance with clause 5.1(c) of the Implementation Deed (if applicable).

Scheme Security means an APD Security held by a Scheme Securityholder as at the Record Date.

Scheme Securityholder means an APD Securityholder as at the Record Date.

Scheme Share means APD Shares as at the Record Date.

Scheme Transfer means one or more proper instruments of transfer in respect of the Trust Scheme Units for the purposes of section 1071B of the Corporations Act, which may be or include a master transfer of all or part of the Trust Scheme Units.

Scheme Unitholder means a person who is registered in the Security Register as holder of the APD Trust Units as at the Record Date.

Schemes means the Trust Scheme and the APN PG Scheme.

Security Register means the register of APD Securityholders maintained in accordance with the Corporations Act.

Trust Account means an Australian dollar denominated trust account which is operated by APD as trustee for the Scheme Securityholders.

Trust Scheme means an arrangement under which Bidder acquires all of the APD Trust Units from the Trust Scheme Participants facilitated by amendments to this Constitution as set out in Schedule 2 and Schedule 3 of the APD Trust Supplemental Deed, subject to the requisite approvals of the Members.

Trust Scheme Meeting means meeting of the Members convened by APN RE to consider the Trust Scheme Resolutions, and include any adjournment of that meeting.

Trust Scheme Participants means each person registered in the Security Register as a holder of Trust Scheme Units as at the Record Date.

Trust Scheme Resolutions means the resolutions to approve the Trust Scheme including:

- (a) a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to this Constitution as set out in the APD Trust Supplemental Deed; and
- (b) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all of the APD Trust Units by Bidder.

Trust Scheme Unit means APD Trust Units as at the Record Date.

Execution page

Executed as a deed poll.

Signed, sealed and delivered by **APN RE Limited (ACN 617 612 202)** as responsible entity of the **APD Trust (ARSN 629 330 007)** by its attorney under power of attorney dated 7 May 2021 who has no notice of revocation of that power of attorney in the presence of:

Signature of witness

Signature of attorney

Name of witness (print)

Name of attorney (print)

Appendix F – Deed Poll



Deed poll

Dexus Nominee Pty Limited

Dexus Funds Management Limited

In favour of each person registered as a holder of APD Securities as at the Record Date

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Date: 10 June 2021

Parties

- 1 **Dexus Nominee Pty Limited (ACN 650 020 643)** of Level 25, Australia Square, 264-278 George Street, Sydney 2000 NSW, Australia (**Bidder**)
 - 2 **Dexus Funds Management Limited (ABN 24 060 920 783)** of Level 25, Australia Square, 264-278 George Street, Sydney 2000 NSW, Australia (**Guarantor**)
- In favour of each person registered as a holder of APD Securities as at the Record Date (**Scheme Securityholders**)

Background

- A Bidder, Guarantor and APD have entered into the Implementation Deed, under which:
 - (i) Bidder and APD have agreed to implement the Schemes; and
 - (ii) Bidder has agreed to:
 - (A) enter into, and procure that Guarantor enters into, this deed poll; and
 - (B) pay or procure the provision of the Scheme Consideration to each Scheme Securityholder, in accordance with the Schemes.
- B Bidder is entering into this deed poll for the purpose of covenanting in favour of the Scheme Securityholders to undertake the actions attributed to Bidder under the Schemes.
- C Guarantor is entering into this deed poll for the purpose of guaranteeing that Bidder undertakes such actions.

1 Defined terms and interpretation

1.1 Defined terms

Unless the context otherwise requires:

- (a) **Implementation Deed** means the scheme implementation deed dated 11 May 2021 between Bidder, Guarantor and APD relating to (among other things) the implementation of the Schemes; and
- (b) terms defined in the Implementation Deed have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 2 of Schedule 1 of the Implementation Deed applies to the interpretation of this deed poll, except that references to 'this deed' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Bidder and Guarantor acknowledges and agree that:

- (a) this deed poll may be relied on and enforced by any Scheme Securityholder in accordance with the terms of this deed poll even though the Scheme Securityholders are not party to it; and

- (b) under the Schemes, each Scheme Securityholder irrevocably appoints APD and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder and Guarantor.

2 Conditions

2.1 Conditions

This deed poll and the obligations of Bidder and Guarantor under this deed poll are subject to the Schemes becoming Effective.

2.2 Termination

The obligations of Bidder and Guarantor under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Schemes do not become Effective by the End Date, unless Bidder, Guarantor and APD otherwise agree in writing.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) each of Bidder and Guarantor is released from their obligations to further perform this deed poll except those obligations under clause 6.1; and
- (b) each Scheme Securityholder retains the rights they have against Bidder and Guarantor in respect of any breach of this deed poll which occurred before it was terminated.

3 Schemes obligations

3.1 Bidder undertakings

Subject to clause 2, Bidder undertakes in favour of each Scheme Securityholder to:

- (a) deposit or procure the deposit of the Aggregate Scheme Consideration into a trust account operated by APD as trustee for the Scheme Securityholders in cleared funds before 12 noon on the Business Day immediately before the Implementation Date (it being noted that, in accordance with the Implementation Deed, any interest on the amount so deposited, less bank fees and other charges, will accrue for the benefit of Bidder); and
- (b) provide or procure the provision of the Scheme Consideration in accordance with the terms of the Schemes; and
- (c) undertake or procure the undertaking of all other actions attributed to it under the Schemes, as if named as a party to the Schemes,

in each case subject to and in accordance with the terms of the Schemes.

3.2 Guarantor undertakings

Subject to clause 2, Guarantor undertakes in favour of each Scheme Securityholder that it will procure that Bidder observes and performs all obligations contemplated of it under clause 3.1.

4 Warranties

Each of Bidder and Guarantor represents and warrants in favour of each Scheme Securityholder that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the legal right and full corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance by it of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets (or any event under any law which is analogous to, or which has a substantially similar effect to, any of the events referred to in this paragraph);
- (e) this deed poll is valid and binding on it and is enforceable against it in accordance with the terms of this deed poll; and
- (f) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder and Guarantor have each fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6 General

6.1 Stamp duty

Bidder must, and Guarantor unconditionally and irrevocably guarantees the obligation of Bidder to:

- (a) pay all stamp duty (if any) and any related fines and penalties payable on or in connection with the transfer by the Scheme Securityholders of the Scheme Securities to Bidder pursuant to the Schemes and this deed poll; and
- (b) indemnify each Scheme Securityholder against any liability arising from failure to comply with clause 6.1(a).

6.2 Notices

- (a) Any notice or other communication to Bidder or Guarantor in connection with this deed poll must be:
- (i) in legible writing in English;
 - (ii) signed by the person making the communication or that person's duly authorised agent; and
 - (iii) given by hand delivery, pre-paid post or email in accordance with the details set out below:

Attention: Jonathan Hedger

Address: Level 25, Australia Square
264-278 George Street
Sydney NSW 2000

Email: jonathan.hedger@dexus.com

with a copy (for information purposes only) to daniel.natale@au.kwm.com

- (b) Subject to clause 6.2(c), any notice or other communication given in accordance with clause 6.2(a) will be deemed to have been duly given as follows:
- (i) if delivered by hand, on delivery;
 - (ii) if sent by pre-paid post, on receipt; and
 - (iii) if sent by email:
 - (A) when the sender receives an email from the recipient confirming receipt of the email; or
 - (B) four hours after the time sent (as recorded on the device from which the email was sent), provided that the sender does not receive an automated message that the email has not been delivered,whichever happens first.
- (c) Any notice or other communication that, pursuant to clause 6.2(b), would be deemed to be given:
- (i) before 9:00am on a Business Day, it will be taken to be received at 9:00am on that Business Day; or
 - (ii) after 5:00pm on a Business Day or on a non-Business Day, it will be taken to be received at 9:00am on the next Business Day,
- where references to time are to time in the place the recipient is located.

6.3 Cumulative rights

The rights, powers and remedies of Bidder, Guarantor and each Scheme Securityholder under this deed poll are cumulative with and do not exclude the rights, powers or remedies provided by law independently of this deed poll.

6.4 Waiver

- (a) A party waives a right under this deed poll only by written notice that it waives that right. A waiver is limited to the specific instance to which it relates and to the specific purpose for which it is given.
- (b) Failure to exercise or enforce, a delay in exercising or enforcing or the partial exercise or enforcement of:
 - (i) any right, power or remedy provided by law or under this deed poll; or
 - (ii) any right, power, authority, discretion or remedy created or arising upon default under this deed poll,by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement, of that or any other right, power or remedy provided by law or under this deed poll.

6.5 Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by APD in writing; or
- (b) if on or after the First Court Date, the variation is agreed to by APD in writing and the Court indicates that the variation would not of itself preclude approval of the Schemes,

in which event Bidder and Guarantor must enter into a further deed poll in favour of the Scheme Securityholders giving effect to the variation.

6.6 Governing law and jurisdiction

- (a) This deed poll is governed by the laws in force in Victoria, Australia.
- (b) Each of Bidder and Guarantor irrevocably:
 - (i) submits to the non-exclusive jurisdiction of the courts of Victoria, Commonwealth courts having jurisdiction in that state and the courts competent to determine appeals from those courts, with respect to any proceedings that may be brought at any time relating to the Schemes; and
 - (ii) waives any objection it may now or in the future have to the venue of any proceedings, and any claim it may now or in the future have that any proceedings have been brought in an inconvenient forum, if that venue falls within clause 6.6(b)(i).

6.7 Assignment

- (a) The rights created by this deed poll are personal to Bidder, Guarantor and each Scheme Securityholder, and must not be dealt with at law or in equity.
- (b) Any purported dealing in contravention of clause 6.7(a) is invalid.

6.8 Further action

Each of Bidder and Guarantor must, at its own expense, promptly do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

Execution page

Executed as a deed.

SIGNED, SEALED AND DELIVERED)
for and on behalf of **Dexus Nominee**)
Pty Limited (ACN 650 020 643) under)
power of attorney dated 10 May 2021 in)
the presence of:)



Signature of witness)

Katarina Robinson)

Name of witness (block letters))



Signature of witness)

Katarina Robinson)

Name of witness (block letters))

By executing this document each)
attorney states that the attorney has)
received no notice of revocation of the)
power of attorney.)



Signature of attorney)

RACHEL BIANCA CARALIS)

Name of attorney (block letters))

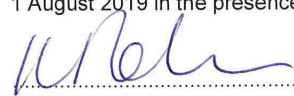


Signature of attorney)

Diane Khoury)

Name of attorney (block letters))

SIGNED, SEALED AND DELIVERED)
for and on behalf of **Dexus Funds**)
Management Limited (ABN 24 060)
920 783) under power of attorney dated)
1 August 2019 in the presence of:)



Signature of witness)

Katarina Robinson)

Name of witness (block letters))



Signature of witness)

Katarina Robinson)

Name of witness (block letters))

By executing this document each)
attorney states that the attorney has)
received no notice of revocation of the)
power of attorney.)



Signature of attorney)

RACHEL BIANCA CARALIS)

Name of attorney (block letters))



Signature of attorney)

Diane Khoury)

Name of attorney (block letters))

Appendix G – Corporate Directory

APN Property Group Limited (ACN 109 846 068)

Level 30, 101 Collins Street
Melbourne, Victoria 3000, Australia
Telephone: +61 3 8656 1000
Facsimile: +61 3 8656 1010

APN RE Limited (ACN 627 612 202)

Level 30, 101 Collins Street
Melbourne, Victoria 3000, Australia
Telephone: +61 3 8656 1000
Facsimile: +61 3 8656 1010

APD Directors

Chris Aylward – Non-Executive Chairman (APN PG and APN RE)
Howard Brenchley – Independent Director (APN PG and APN RE)
Clive Appleton – Independent Director (APN PG and APN RE)
Danielle Carter – Independent Director (APN PG and APN RE)
Tim Slattery – Chief Executive Officer (APN PG)

APD Registry

Link Market Services Limited
Locked Bag A14
Sydney South, New South Wales 1235

Financial Adviser

Grant Samuel Corporate Finance Pty Limited
Level 31, 101 Collins Street
Melbourne, Victoria 3000

Legal Adviser

Gilbert + Tobin
Level 25, 101 Collins Street
Melbourne, Victoria 3000

Independent Expert

KPMG Financial Advisory Services (Australia) Pty Limited
Tower Two
Collins Square
727 Collins Street
Melbourne, Victoria 3008

APD Securityholder Information Line

1300 794 935 (within Australia)
+61 1300 794 935 (outside Australia)
8:30am to 5:30pm (Melbourne time)
Monday to Friday (excluding public holidays)

