**Commonwealth** Managed Investments Limited
Commonwealth Managed Investments Limited
ABN 33 084 098 180

17 January 2014

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

Dear Sir/Madam

**Commonwealth Property Office Fund (ASX: CPA) – Takeover bid by DEXUS Funds Management Limited in its capacity as trustee of DEXUS Office Trust Australia**

Please find enclosed, in accordance with section 633(1) item 14 of the Corporations Act 2001 (Cth), a copy of the Target's Statement prepared by Commonwealth Managed Investments Limited as Responsible Entity of Commonwealth Property Office Fund (CPA) in response to the off-market takeover bid for all the units in CPA made by DEXUS Funds Management Limited in its capacity as trustee of DEXUS Office Trust Australia (DEXUS).

The Target's Statement was lodged with the Australian Securities and Investments Commission and provided to DEXUS earlier today.

Yours faithfully,

MHBrady

Michelle Brady
Company Secretary
Commonwealth Managed Investments Limited

CPA

CPA

Commonwealth Property Office Fund

Colonial First State

Global Asset Management

This Target's Statement has been issued by Commonwealth Managed Investments Limited (CMIL) ABN 33 084 098 180 as Responsible Entity of Commonwealth Property Office Fund ARSN 086 029 736 in response to the offer by DEXUS Funds Management Limited (ABN 24 060 920 783) in its capacity as trustee of DEXUS Office Trust Australia (a vehicle owned equally by DEXUS Property Group and Canada Pension Plan Investment Board) (the Bidder) to acquire all of the units in CPA.

# TARGET'S STATEMENT

## Commonwealth Property Office Fund (CPA)

The Independent Directors of CMIL unanimously recommend that you

# ACCEPT the DEXUS Offer

## in the absence of a superior proposal

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt about how to deal with this document, you should consult your financial, legal, taxation or other professional adviser immediately.

FINANCIAL ADVISER

UBS

LEGAL ADVISER

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# Important notices

## Nature of this document

This document is a Target's Statement issued by Commonwealth Managed Investments Limited (CMIL) ABN 33 084 098 180 as Responsible Entity of Commonwealth Property Office Fund (CPA) ARSN 086 029 736 under Part 6.5 of the Corporations Act in response to the offer by the Bidder to acquire all of the units in CPA made pursuant to the DEXUS Bidder's Statement dated 19 December 2013, the DEXUS First Supplementary Bidder's Statement dated 6 January 2014 and the DEXUS Second Supplementary Bidder's Statement dated 10 January 2014 issued by the Bidder.

## CBA disclaimer

Neither CBA nor any of its subsidiaries guarantees or in any way stands behind the performance of CPA or the repayment of capital by CPA. Investments in CPA are not deposits or other liabilities of CBA or its subsidiaries, and investment-type products are subject to investment risk including possible delays in repayment and loss of income and principal invested.

## ASIC and ASX disclaimer

A copy of this Target's Statement was lodged with the Australian Securities and Investments Commission (ASIC) on 17 January 2014 and provided to the Australian Securities Exchange (ASX) on 17 January 2014. Neither ASIC nor ASX, nor any of their respective officers, take any responsibility for the contents of this Target's Statement.

## Date of this Target's Statement

This Target's Statement is dated 17 January 2014.

## Defined terms

A number of terms are used in this Target's Statement which are defined in Section 9.1. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

Section 9.2 sets out some rules of interpretation that apply to this Target's Statement.

## No account of personal circumstances

This Target's Statement does not take into account the individual investment objectives, financial or tax situation or particular needs of any person. It does not contain personal financial advice. You should seek independent financial and taxation advice before making a decision as to whether or not to accept the DEXUS Offer.

## Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. Statements other than statements of historical facts may be forward looking statements. You should be aware that such statements are only predictions and are subject to both known and unknown risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement.

None of CPA, CMIL, their respective officers, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement.

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

## Disclaimer as to information

The information on the Bidder, DEXUS and CPPIB contained in this Target's Statement has been prepared by CMIL from publicly available information, including the DEXUS Bidder's Statement. Information in this Target's Statement about the Bidder, DEXUS and CPPIB has not been independently verified by CMIL. Accordingly, CMIL does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

## Independent Expert's Report

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of this Target's Statement and the Independent Expert takes full responsibility for that report. Neither CMIL nor any of its officers or advisers assumes any responsibility for the accuracy or completeness of the Independent Expert's Report, except, in the case of CMIL, in relation to the information which it has provided to the Independent Expert.

## Risk factors

CPA unitholders should note that there are a number of risk factors attached to their investment in CPA, and with becoming a DEXUS security holder. Section 7 of this Target's Statement sets out further information on those risks.

## Foreign jurisdiction

The release, publication or distribution of this Target's Statement in jurisdictions outside Australia may be restricted by law and any person who comes into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

## Privacy

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

## CPA unitholder information line

If you have any questions in relation to the DEXUS Offer, please contact the CPA unitholder information line on 1800 500 710 (callers in Australia) or +61 1800 500 710 (callers outside Australia). Further information relating to the DEXUS Offer can be obtained from CPA's website at cfsgam.com.au/cpa.

# Contents



# Key dates

| | |
|---|---|
| Date of the DEXUS Offer | 6 January 2014 |
| Date of this Target's Statement | 17 January 2014 |
| Close of the DEXUS Offer Period (unless extended or withdrawn) | 7.00pm (Sydney time), 7 February 2014 |

# Chairman’s letter

17 January 2014

Dear unitholder,

**ACCEPT the DEXUS Offer for your CPA units, in the absence of a superior proposal**

On 11 December 2013, DEXUS and CPPIB announced that they intended to make a joint cash and scrip off-market takeover offer to acquire all of the issued units in CPA (DEXUS Offer).

The DEXUS Offer, as varied on 10 January 2014, provides two alternative forms of Offer Consideration:

- Option A: $0.7745 cash and 0.4516 DEXUS securities per CPA unit, or
- Option B: $0.8496 cash and 0.3801 DEXUS securities per CPA unit.

The bidder’s statement for the DEXUS Offer (DEXUS Bidder’s Statement) has recently been sent to you. You should have also received the second supplementary bidder’s statement (DEXUS Second Supplementary Bidder’s Statement) which is accompanied by a revised acceptance form that enables you to elect to receive Option A or Option B as the Offer Consideration.

Under the DEXUS Offer, you will be entitled to receive and retain the CPA distribution for the six months ended 31 December 2013, which is estimated to be 3.5 cents per CPA unit and is payable in February 2014 to CPA unitholders for CPA units registered in their name on 31 December 2013. Any other distribution paid to you during the period of the DEXUS Offer will be deducted from the cash consideration payable under the DEXUS Offer.

Prior to the receipt of the DEXUS Bidder’s Statement you should have received a separate bidder’s statement containing the GPT Offer (GPT Bidder’s Statement) and the target’s statement prepared by CMIL in response to the GPT Bidder’s Statement. This target’s statement contained the unanimous recommendation of the CMIL Independent Board Committee (Mr R Haddock, Ms N Milne and Mr J Kropp) that you **do not accept the GPT Offer because the DEXUS Offer is superior**. As at the date of this Target’s Statement, the unanimous recommendation of the Independent Directors remains unchanged in respect of the GPT Offer, which GPT has announced will not be increased and will not be extended beyond 24 January 2014.

Having carefully considered the DEXUS Offer, **the Independent Directors unanimously recommend that CPA unitholders ACCEPT the DEXUS Offer in the absence of a superior proposal**. The Independent Directors do not make a recommendation as to which alternative Offer Consideration CPA unitholders should elect to receive. CPA unitholders may choose Option A if they prefer greater exposure to the enlarged DEXUS Property Group (which is expected to include most of CPA’s assets) as this option includes a larger component of DEXUS securities as compared to Option B. Alternatively, CPA unitholders preferring a higher proportion of cash may choose Option B.

The Independent Directors appointed Grant Samuel to provide an Independent Expert Report on the DEXUS Offer. Grant Samuel’s Independent Expert Report is contained in Appendix 2 to this Target’s Statement. You are encouraged to read that report in full. In it, Grant Samuel:

- concludes that the DEXUS Offer is fair and reasonable, in the absence of a superior proposal
- estimates CPA’s adjusted net tangible assets to be $1.16-1.17 per CPA unit

- attributes a value to the consideration under the DEXUS Offer in the range $1.23-1.25 per CPA unit[1], which represents a premium of 5.1%-7.8% over the estimated adjusted net tangible assets per CPA unit, and
- assesses the GPT Offer as inferior in value to the DEXUS Offer, on the basis that Grant Samuel has attributed a value to the consideration under the GPT Offer $1.21-1.24 per CPA unit[2].

This Target's Statement sets out the reasons for the Independent Directors' unanimous recommendation to **ACCEPT** the DEXUS Offer.

Your Independent Directors believe you should **ACCEPT** the DEXUS Offer because:

1. It provides an attractive premium to CPA unitholders for their CPA units. By way of example, Option A[3] (being $0.7745 cash and 0.4516 DEXUS securities per CPA unit), reflects:
   - a 4.2% premium to the last stated net tangible asset backing per CPA unit of $1.19 as at 31 October 2013
   - a premium of 14.3% to the last trading price of CPA units on 23 July 2013, the last day prior to the announcement of a proposal by Commonwealth Bank of Australia to internalise CPA management
   - a 14.6% premium to the one-month volume weighted average price of CPA units, up to and including 23 July 2013, and
   - a 12.7% premium to the three-month volume weighted average price of CPA units, up to and including 23 July 2013.
2. It is a superior offer to the GPT Offer as at the date of this Target's Statement.
3. The Independent Expert has concluded that the DEXUS Offer is fair and reasonable, in the absence of a superior proposal.
4. The trading price of CPA units is likely to fall if the DEXUS Offer is unsuccessful and there is no other offer for your CPA units.

To accept the DEXUS Offer, you should carefully follow the instructions in Section 4 of the DEXUS Second Supplementary Bidder's Statement and complete the Acceptance and Transfer Form enclosed within the DEXUS Second Supplementary Bidder's Statement (which enables CPA unitholders to elect to receive one of the alternatives as the Offer Consideration).

The DEXUS Offer is due to close at 7.00pm (Sydney time) on 7 February 2014, unless extended or withdrawn.

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

We will keep you fully informed should any other competing offer emerge, or if there are any material developments with respect to the DEXUS Offer or the GPT Offer.

**Richard Haddock AM**
Chairman
Commonwealth Managed Investments Limited

1) Based on a market value for DEXUS securities in the range $1.00-1.05.
2) Based on a market value for GPT securities in the range $3.50-3.70.
3) Based on the closing price of DEXUS securities on 15 January 2014. For details on Option B as Offer Consideration of the Dexus Offer, please see Sections 1.2(a) and 1.2(b).

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CPA
Commonwealth Property Office Fund

Section

# 1 Evaluation of the DEXUS Offer

The Independent Directors recommend that you **ACCEPT** the DEXUS Offer, in the absence of a superior proposal. The reasons for this recommendation are:

| | |
|---|---|
| **1** | **The implied value of the Offer Consideration under the DEXUS Offer represents an attractive premium for your CPA units** |
| **2** | **The Independent Expert has concluded that the DEXUS Offer is fair and reasonable, in the absence of a superior proposal** |
| **3** | **You will have an opportunity to participate in the enlarged DEXUS Property Group, which will include exposure to CPA assets** |
| **4** | **The DEXUS Offer has the unanimous support of the Independent Directors** |
| **5** | **The DEXUS Offer is superior to the GPT Offer and no superior proposal to the DEXUS Offer has emerged** |
| **6** | **The CPA unit price is likely to trade below the value of the closing price of CPA units on 15 January 2014 if the DEXUS Offer is not successful and there is no other offer for your CPA units** |
| **7** | **There are risks in not accepting the DEXUS Offer** |

If you have any questions in relation to the DEXUS Offer, please contact the CPA unitholder information line on 1800 500 710 (callers in Australia) or +61 1800 500 710 (callers outside Australia).

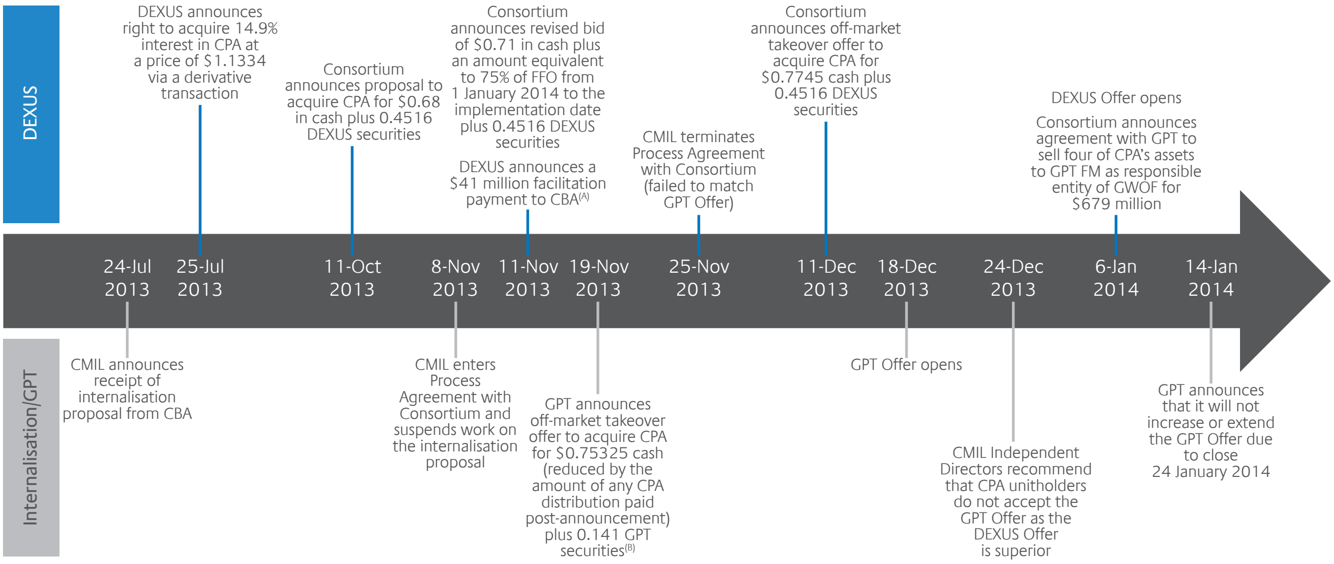
## 1.1 Background to the DEXUS Offer

On 24 July 2013, the Board of CMIL received a highly conditional, indicative and incomplete proposal from CBA to internalise the management of CPA. This announcement precipitated action by DEXUS leading to an indicative, non-binding proposal by the Consortium in October to acquire all of the issued units in CPA, other than those to which DEXUS was already entitled. In November, CMIL entered into a Process Agreement with the Consortium, granting it a period of exclusive due diligence, and further work on the evaluation of the internalisation was suspended.

Shortly thereafter, GPT launched a competing offer for CPA. The Process Agreement provided a defined period for the Consortium to match the terms of the GPT Offer and retain exclusivity. As the Consortium did not do so, CMIL terminated the Process Agreement but allowed the Consortium to continue its due diligence on a non-exclusive basis in order to improve the terms of its previous proposal. The Consortium announced the original terms of the DEXUS Offer (Option A) in December 2013.

In January 2014, the Bidder, the Consortium and GPT FM entered into an agreement providing for the sale of four CPA assets to GWOF for $679 million if the Bidder acquires a relevant interest in 90% or more of CPA units (by number). At the same time the Bidder announced a variation to the original offer terms, providing an alternative form of Offer Consideration with a higher proportion of cash (Option B). Subsequently, GPT has confirmed it will not increase or extend the GPT Offer, which is due to close on 24 January 2014.

The key events outlined above are shown on the timeline below.




Note:
(A) An indicative terms sheet was announced on this date. A binding Facilitation Agreement was entered into on 13 December 2013.
(B) GPT Offer equates to $0.71825 cash plus 0.141 GPT Securities, net of the reduction in consideration for the $0.035 CPA estimated Distribution for the six months ended 31 December 2013.

## 1.2 Why you should ACCEPT the DEXUS Offer

### (a) The implied value of the Offer Consideration represents an attractive premium for your CPA units

**Offer Consideration under the DEXUS Offer**

The Offer Consideration under the DEXUS Offer comprises of two alternative forms which you may elect to receive:

- Option A: $0.7745 cash and 0.4516 DEXUS securities per CPA unit, or
- Option B: $0.8496 cash and 0.3801 DEXUS securities per CPA unit.

Furthermore, you will be entitled to receive and retain the CPA distribution for the six months ended 31 December 2013, which is estimated to be 3.5 cents per CPA unit and is payable in February 2014 to CPA unitholders for CPA units registered in their name on 31 December 2013.

Any other distribution paid to you during the period of the DEXUS Offer will be deducted from the cash consideration payable under the DEXUS Offer.

**Implied value of the Offer Consideration**

As at the close of trading on 15 January 2014, the implied value of the Offer Consideration for Option A is $1.240 per CPA unit and for Option B is $1.241 per CPA unit.

Compared to CPA's net tangible asset backing per unit of $1.19 as at 31 October 2013, the implied value of the Offer Consideration for Option A represents a 4.2% premium and for Option B represents a 4.3% premium[1].

Based on the closing price of CPA units on 23 July 2013, being the last trading day prior to announcement by CMIL of receipt of an internalisation proposal from CBA, the implied value of the Offer Consideration for Option A and Option B respectively represents a substantial premium for CPA unitholders as follows.

| CPA trading prices to 23 July 2013 | Option A (%) | Option B (%) |
|---|---|---|
| Premium to the last trading price of $1.085 per CPA unit | 14.3 | 14.4 |
| Premium to CPA's one-month volume weighted average price (VWAP) of $1.082 per CPA unit | 14.6 | 14.7 |
| Premium to CPA's three-month VWAP of $1.100 per CPA unit | 12.7 | 12.9 |

During the Offer Period, the implied value of the Offer Consideration will change based on changes in the ASX trading price of DEXUS securities. The value of the Offer Consideration is dependent upon the trading price of DEXUS securities on the date of issue to CPA unitholders.

### (b) The Independent Expert has concluded that the DEXUS Offer is fair and reasonable, in the absence of a superior proposal

The Independent Directors appointed Grant Samuel to prepare an Independent Expert's Report.

You are encouraged to read the entire Independent Expert's Report, which is set out in full in Appendix 2.

The Independent Expert has concluded that the DEXUS Offer is fair and reasonable, in the absence of a superior proposal.

The Independent Expert has estimated CPA's adjusted net tangible assets to be $1.16-1.17 per CPA unit.

The Independent Expert has attributed a value to the consideration under the DEXUS Offer in the range $1.23-1.25 per CPA unit based on a market value for DEXUS securities in the range $1.00-1.05.

1) On 18 November 2013, CMIL announced the completion of independent valuations of 16 of CPA's office assets resulting in a $60.5 million or 2.4% increase in book value, with CPA's net tangible asset backing per CPA unit increasing to $1.19.

The value attributed to the consideration under the DEXUS Offer ($1.23-1.25 per CPA unit) exceeds the Independent Expert's estimate of adjusted net tangible assets of $1.16-1.17 per unit and represents a premium of 5.1%-7.8%. In the Independent Expert's opinion, this level of premium more than adequately compensates CPA unitholders for the unique attributes of the CPA property portfolio, particularly as there is no material latent value upside. Accordingly, in the Independent Expert's opinion, the DEXUS Offer is **FAIR**.

As the DEXUS Offer is fair, it is also **REASONABLE**. The Independent Expert considers that, in any event, there are a number of other factors that support the reasonableness of the DEXUS Offer including:

- the DEXUS Offer delivers a premium of around 12%-15% to unaffected CPA unit prices
- in the absence of the DEXUS Offer or a similar offer, it is likely that CPA units under current market conditions and CPA's current ownership and operating structure would trade at prices below the value of the DEXUS Offer, and
- there is no minimum acceptance condition under the DEXUS Offer.

CPA unitholders are encouraged to read the Independent Expert's Report in its entirety. The Independent Expert explains in the Independent Expert's Report the factors that it has taken into account in determining that the DEXUS Offer is fair and reasonable.

## (c) You will have an opportunity to participate in the enlarged DEXUS Property Group, which will include exposure to CPA assets

If you accept the DEXUS Offer, part of the Offer Consideration includes DEXUS securities. This will provide CPA unitholders who receive DEXUS securities with continuing exposure to CPA's assets, except to the extent any of those assets may be sold, and to any potential upside in the performance of DEXUS, including as a result of the acquisition of CPA.

## (d) The DEXUS Offer has the unanimous support of the Independent Directors

Having carefully considered the terms of the DEXUS Offer, including against the GPT Offer, the Independent Directors unanimously recommend that you **ACCEPT** the DEXUS Offer, in the absence of a superior proposal.

## (e) The DEXUS Offer is superior to the GPT Offer and no superior proposal to the DEXUS Offer has emerged

The Independent Directors believe that the DEXUS Offer is superior to the GPT Offer as:

- the implied value of the DEXUS Offer is higher than the GPT Offer based on relevant trading prices of DEXUS securities and GPT securities, and
- the DEXUS Offer does not have a minimum acceptance condition, providing greater transaction certainty than the GPT Offer.

The Independent Expert has also assessed the GPT Offer as inferior in value to the DEXUS Offer.

### Implied value of the DEXUS Offer and the GPT Offer

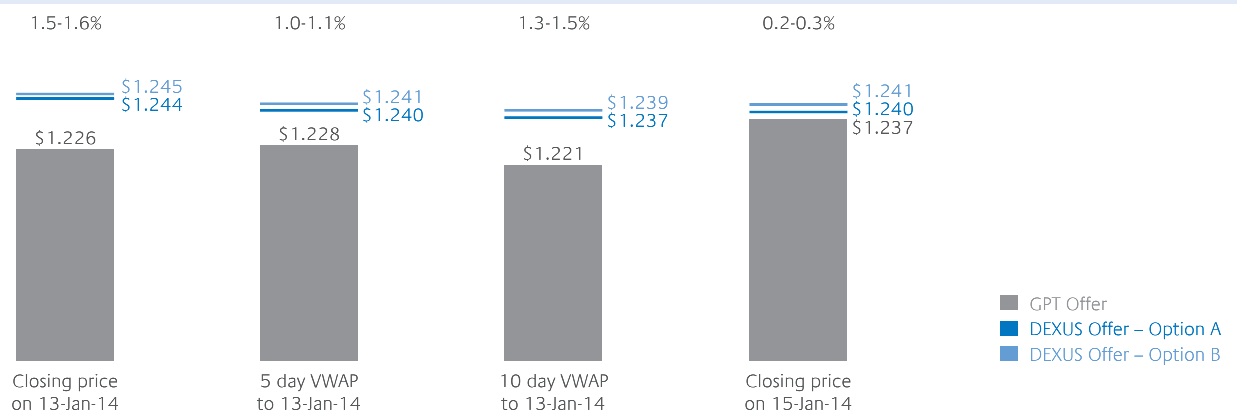
The table below compares the implied value of the DEXUS Offer and the GPT Offer based on the respective prices of DEXUS securities and GPT securities as at the close of trading on 13 January 2014, the last trading day before GPT announced that it will not increase the consideration under the GPT Offer, and that the closing date of the GPT Offer will not be extended beyond 24 January 2014.

This analysis shows that the implied value of the DEXUS Offer is 1.5% greater than the implied value of the GPT Offer if Option A is chosen and 1.6% greater than the implied value of the GPT Offer if Option B is chosen.

| | Option A – DEXUS Offer | Option B – DEXUS Offer | GPT Offer |
|---|---|---|---|
| Scrip ratio (securities) | 0.4516 | 0.3801 | 0.141 |
| Security price (13 January 2014) | $1.04 | $1.04 | $3.60 |
| Scrip consideration | $0.470 | $0.395 | $0.508 |
| Cash consideration | $0.7745 | $0.8496 | $0.75325 |
| Less: CPA estimated distribution for the six months ended 31 December 2013 | – | – | ($0.035) |
| **Implied value of offer** | **$1.244** | **$1.245** | **$1.226** |

The chart below compares the implied value of the DEXUS Offer and the GPT Offer using a number of other trading price metrics.

**DEXUS Offer premium over GPT Offer**




The comparison in the chart above based on the closing prices on 15 January 2014 has been included for consistency with other references to the value of the DEXUS Offer. However, it should be noted that the Independent Directors do not believe that a comparison based on the trading price of GPT securities after 13 January 2014 provides a fair assessment of the relative value of the two offers. This is because GPT announced on 14 January 2014 prior to the commencement of trading that it would not increase or extend the GPT Offer, which is due to close on 24 January 2014. This followed an announcement one week earlier that an agreement had been reached in relation to the sale of four CPA assets to GPT FM as responsible entity of GWOF for $679 million if the Bidder acquires a relevant interest in 90% or more of CPA units (by number). Since that time, there has been analyst and media commentary concluding that the GPT Offer will lapse and the Independent Directors believe that the current trading price of GPT does not reflect the expected impact of the GPT Offer proceeding.

### Independent Expert assessment of DEXUS Offer and GPT Offer

The Independent Expert has attributed a value to the consideration under the DEXUS Offer in the range $1.23-1.25 per CPA unit, based on a market value for DEXUS securities in the range $1.00-1.05. Applying a consistent approach, the Independent Expert has attributed a value to the consideration under the GPT Offer of $1.21-1.24 per CPA unit, based on a market value for GPT securities in the range $3.50-3.70. As this value range is less than the value of the consideration under the DEXUS Offer, the Independent Expert has assessed the GPT Offer as inferior in value to the DEXUS Offer.

### Other factors

The DEXUS Offer is not subject to a minimum acceptance condition and as a consequence your Independent Directors consider that the DEXUS Offer provides you with more transaction certainty than the GPT Offer.

As at the date of this Target's Statement, CPA has not received any superior proposal from a third party.

The Independent Directors unanimously recommend that you **ACCEPT** the DEXUS Offer in the absence of a superior proposal.

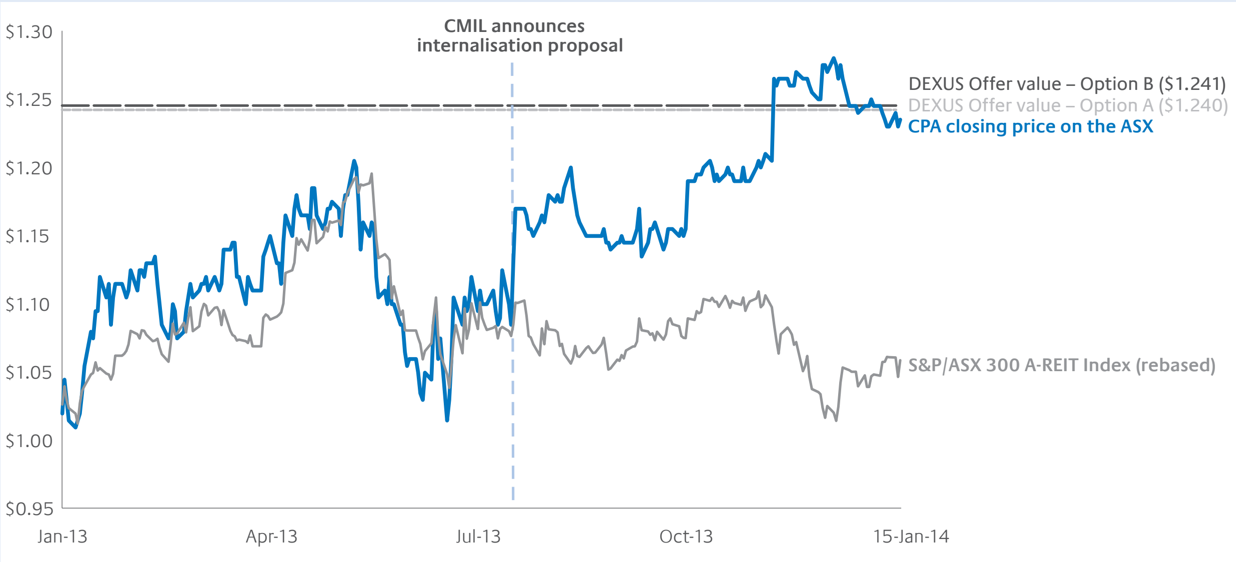
## (f) The CPA unit price is likely to trade below the closing price of CPA units on 15 January 2014 if the DEXUS Offer is not successful and there is no other offer for your CPA units

The closing CPA unit price of CPA units on 15 January 2014 on the ASX was $1.235.

The implied value of the DEXUS Offer Consideration on that date was $1.240 for Option A and $1.241 for Option B (based on the closing price of DEXUS securities on the ASX on that date).

If the DEXUS Offer is not successful and there is no other offer for CPA units, the Independent Directors believe that it is likely that the CPA unit price will trade below this price.

This assertion is supported by the chart below, which shows that the CPA unit price has outperformed the S&P/ASX 300 A-REIT Index by 15.5% since 23 July 2013[2], being the last trading day prior to announcement by CMIL of receipt of an internalisation proposal from CBA.




## (g) There are risks in not accepting the DEXUS Offer

If you do not accept the DEXUS Offer, you will be exposed to the ongoing risks associated with an investment in CPA. Details of these risks are contained in Section 7.1 of this Target's Statement.

After the Offer Period ends, any CPA unitholders who do not accept the DEXUS Offer, assuming it becomes unconditional, will be subject to the following risks:

- if the Bidder is in a position to cast the majority of votes at a general meeting of CPA unitholders, then that will enable the Bidder to change the responsible entity of CPA as well as control the strategic direction of CPA
- if the Bidder acquires control over more than 75% of CPA units it will be able to pass a special resolution at a general meeting of CPA unitholders. This would enable the Bidder to, among other things, change CPA's Trust Deed

2) Based on values between 23 July 2013 and 15 January 2014.

- if the Bidder acquires at least 90% of CPA units, the Bidder may become entitled to acquire your CPA units through the implementation of compulsory acquisition procedures in accordance with section 661B of the Corporations Act. If this occurs, you will be compelled to sell your CPA units to the Bidder but may not receive your consideration for a number of months, and
- if the number of CPA unitholders is less than that required by the ASX Listing Rules to maintain a listing on the ASX, the Bidder may seek to have CPA removed from the official list of the ASX. If this occurs, CPA units will not be able to be acquired or sold on ASX or any other licensed market on which CPA units can currently be acquired or sold.

You should note that there are also risks associated with accepting the DEXUS Offer. Details of the risks associated with accepting and not accepting the DEXUS Offer are contained in Section 11 of the DEXUS Bidder's Statement and Sections 1.3 and 7 of this Target's Statement.

## 1.3 Possible reasons for not accepting the DEXUS Offer

This section sets out some reasons why you may choose not to follow the unanimous recommendation of the Independent Directors to accept the DEXUS Offer and instead reject the DEXUS Offer.

### (a) You may wish to remain a unitholder in CPA

If you accept the DEXUS Offer, you will no longer be entitled to exercise the rights of a CPA unitholder.

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

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

### (c) You may prefer the GPT Offer or consider that there is potential for a superior proposal to emerge in the foreseeable future

You may consider that the GPT Offer provides better value than the DEXUS Offer and that the scrip component of the GPT Offer provides you with scope for greater growth.

Although it may be possible that a superior proposal for CPA could materialise in the future no superior proposal has emerged. Further, on 14 January 2014, GPT announced that it will not increase the consideration under the GPT Offer, and that the closing date of the GPT Offer will not be extended beyond 24 January 2014.

### (d) You may want to sell your CPA units on market and receive an all cash payment for them

You may not wish to remain a unitholder in CPA or to become a DEXUS security holder pursuant to the DEXUS Offer, and may instead wish to cash out your investment in CPA.

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

As set out in Appendix 1 of this Target's Statement, acceptance of the DEXUS Offer by CPA unitholders is likely to have tax implications. You should carefully read and consider the taxation consequences of accepting the DEXUS Offer. CPA unitholders should not rely on the disclosure of taxation considerations in Section 10 of the DEXUS Bidder's Statement, Section 8.2 of the DEXUS Second Supplementary Bidder's Statement or the Taxation Report that is included in this Target's Statement as being advice on their own affairs. CPA unitholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the DEXUS Offer given their own particular circumstances.

CPA
Commonwealth Property Office Fund

Section

# 2 Independent Directors' recommendation and Directors' interests

## 2.1 Directors of CMIL

As at the date of this Target's Statement, the directors of CMIL, the Responsible Entity of CPA, are:

a) Richard Haddock AM (Chairman)

b) James Kropp

c) Nancy Milne OAM

d) Ross Griffiths, and

e) Michael Venter.

The Independent Directors are Mr Haddock, Mr Kropp and Ms Milne. They comprise the Independent Board Committee of the CMIL Board that considered the GPT Offer and the DEXUS Offer.

Mr Griffiths and Mr Venter are employed as executives of CBA. In that capacity, they have been appointed as Directors of CMIL.

Neither Mr Griffiths nor Mr Venter is considered to be an independent director of CMIL.

Due to possible perceived conflicts as a result of their employment with CBA, neither Mr Griffiths nor Mr Venter participated in the consideration given by the Independent Board Committee to the DEXUS Offer.

For the reasons set out above, neither Mr Griffiths nor Mr Venter gives a recommendation in relation to the DEXUS Offer or the GPT Offer.

## 2.2 Independent Directors' recommendation and intentions

Each member of the Independent Board Committee (Mr Haddock, Ms Milne and Mr Kropp) recommends that you **ACCEPT** the DEXUS Offer in the absence of a superior proposal. The Independent Directors do not make a recommendation as to which alternative Offer Consideration CPA unitholders should elect to receive. CPA unitholders may choose Option A if they prefer greater exposure to the enlarged DEXUS Property Group (which will include exposure to CPA assets, except to the extent any of those assets may be sold) as this option includes a larger component of DEXUS securities as compared to Option B. Alternatively, CPA unitholders preferring a higher proportion of cash may choose Option B.

The reasons for this recommendation are set out in Section 1 of this Target's Statement.

The only CMIL director by whom, or on whose behalf, CPA units are held at the date of this Target's Statement is Ms Milne. Ms Milne intends to accept the DEXUS Offer for the CPA units held by her or on her behalf.

In evaluating the DEXUS Offer, your Independent Directors encourage you to:

a) read the whole of this Target's Statement, including the Independent Expert's Report that is included in Appendix 2, together with the DEXUS Bidder's Statement, the DEXUS First Supplementary Bidder's Statement and the DEXUS Second Supplementary Bidder's Statement

b) consider your alternatives as outlined in Section 4 of this Target's Statement, and

c) if you are in any doubt as to what you should do, seek independent financial, legal, taxation or other professional advice.

## 2.3 Interests and dealings of Directors in CPA units

As at the date immediately before the date of this Target's Statement, the only Director who has a relevant interest in CPA units is Ms Milne, who indirectly holds 37,239 CPA units.

No Director has acquired or disposed of a relevant interest in any CPA units in the four-month period ending on the date immediately before the date of this Target's Statement.

## 2.4 Benefits and agreements

### (a) Benefits to Directors

As a result of the DEXUS Offer, no Director has been, or will be given, any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person or someone else from the Board or a managerial office of CPA or CMIL, or a Related Body Corporate of CPA.

No Director has agreed to receive, or is entitled to receive, any benefit from the Bidder, DEXUS or CPPIB which is related to or conditional on the DEXUS Offer, other than in their capacity as a holder of CPA units.

### (b) Agreements in connection with or conditional on the DEXUS Offer

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

### (c) Interests in contracts with the Bidder, DEXUS or CPPIB

No Director has any interest in any contract entered into by the Bidder, DEXUS or CPPIB.

CPA

Commonwealth Property Office Fund

Section

# 3 Frequently asked questions

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

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| Who is making the DEXUS Offer? | DEXUS Funds Management Limited (ABN 24 060 920 783) in its capacity as trustee of DEXUS Office Trust Australia (a vehicle indirectly owned equally by DEXUS Property Group and Canada Pension Plan Investment Board) (the Bidder) is making the DEXUS Offer. Information in relation to the Bidder, DEXUS and CPPIB is set out in Section 5 of this Target's Statement and Sections 2 to 4 of the DEXUS Bidder's Statement. | |
| What is DEXUS offering for my CPA units? | The DEXUS Offer gives you the choice of two alternatives for the Offer Consideration:<br>• Option A: $0.7745 cash and 0.4516 DEXUS securities per CPA unit, and<br>• Option B: $0.8496 cash and 0.3801 DEXUS securities per CPA unit.<br><br>If you accept the DEXUS Offer but do not validly elect either Option A or Option B, you will be treated as if you have elected Option A (unless you are an Ineligible Foreign Unitholder or Unmarketable Parcel Unitholder in which case you will be treated as if you elected Option B).<br><br>CMIL has announced that the Distribution will be made on or around 28 February 2014 to CPA unitholders for CPA units registered in their name on 31 December 2013. Under the DEXUS Offer, CPA unitholders will be entitled to receive and retain the benefit of the Distribution.<br><br>Any other distribution paid to CPA unitholders during the Offer Period will be deducted from the cash consideration under the DEXUS Offer.<br><br>On the above basis, the implied value of the Offer Consideration is $1.240 for Option A and $1.241 for Option B, based on the closing market price of DEXUS securities on the ASX on 15 January 2014 (namely $1.03). | Refer to Section 5.6 for further information regarding the Offer Consideration. |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| If I have already accepted the DEXUS Offer, what do I do? | If you have already accepted the DEXUS Offer and wish to receive Option A, you do not need to do anything. If you wish to receive Option B, you must give the Bidder written notice within one month of receipt of the DEXUS Second Supplementary Bidder's Statement. Section 4.2 of the DEXUS Second Supplementary Bidder's Statement sets out what is required.<br><br>If you are an Ineligible Foreign Unitholder or Unmarketable Parcel Unitholder who has already accepted the DEXUS Offer and who wishes to receive Option B, you do not need to do anything. If you wish to receive Option A, you will need to give the Bidder written notice within one month of receipt of the DEXUS Second Supplementary Bidder's Statement. Section 4.2 of the DEXUS Second Supplementary Bidder's Statement sets out what is required. | |
| What is the DEXUS Bidder's Statement? | The DEXUS Bidder's Statement is the document prepared by the Bidder which sets out the terms of the DEXUS Offer, as required by the Corporations Act. The Bidder lodged the DEXUS Bidder's Statement with ASIC on 19 December 2013. All CPA unitholders should have recently received a copy of the DEXUS Bidder's Statement in the post. The DEXUS Bidder's Statement states that you can call the DEXUS Offer Information Line on 1800 220 771 (callers in Australia) or +61 1800 220 771 (callers outside Australia) for a replacement acceptance form or for any questions in relation to the DEXUS Offer. | |
| What is the DEXUS Second Supplementary Bidder's Statement? | The DEXUS Second Supplementary Bidder's Statement is the document prepared by the Bidder dated 10 January 2014 which, amongst other things, sets out an additional alternative form of Offer Consideration (Option B, as set out above, comprising $0.8496 cash and 0.3801 DEXUS securities per CPA unit).<br><br>You should have received a copy of the DEXUS Second Supplementary Bidder's Statement which is accompanied by a revised acceptance form that enables you to elect to receive your preferred alternative as the Offer Consideration (either Option A or Option B). | |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| What is this Target's Statement? | This Target's Statement is the formal response by the Board of CMIL to the DEXUS Offer, as required by the Corporations Act. This document has been prepared by CMIL and contains important information to help you decide whether to accept the DEXUS Offer. | |
| What choices do I have as a CPA unitholder? | As a CPA unitholder, you have the following choices in respect of your CPA units:<br>• accept the DEXUS Offer by electing to receive either Option A or Option B as the Offer Consideration<br>• sell all or part of your CPA units, for example, on the ASX (unless you have previously accepted the DEXUS or GPT Offer and you have not validly withdrawn your acceptance)<br>• do nothing and retain your CPA units, or<br>• accept the GPT Offer.<br>There are several implications in relation to each of the above choices. A summary of these implications is set out in Section 4 of this Target's Statement.<br>You should seek independent financial, legal, taxation or other professional advice if you are in doubt as to what you should do in response to the DEXUS Offer. | Refer to Section 4 for further information. |
| What are the Independent Directors of CMIL recommending? | The Independent Directors unanimously recommend that you **ACCEPT** the DEXUS Offer, in the absence of a superior proposal.<br>The reasons for the Independent Directors' recommendation are set out in Section 1 of this Target's Statement.<br>The Independent Directors do not make a recommendation as to which alternative Offer Consideration CPA unitholders should elect to receive. However, you may choose Option A if you prefer greater exposure to the enlarged DEXUS Property Group (which will include exposure to CPA assets, except to the extent any of those assets may be sold) as this option includes a larger component of DEXUS securities as compared to Option B. You may choose Option B if you prefer a higher proportion of cash. | Refer to Section 1 and Section 2.2 for further information. |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| What do the Independent Directors intend to do with their CPA units? | The only CMIL Director who has an interest in CPA units is Nancy Milne OAM. Ms Milne intends to accept the DEXUS Offer for any CPA units held by her or on her behalf, in the absence of a superior proposal. | |
| What is the opinion of the Independent Expert? | The Independent Expert has concluded that the DEXUS Offer is fair and reasonable, in the absence of a superior proposal.<br><br>You are encouraged to read the Independent Expert's Report in full. | The Independent Expert's Report is set out in full in Appendix 2. |
| Why should I ACCEPT the DEXUS Offer? | The Independent Directors have recommended that you **ACCEPT** the DEXUS Offer, in the absence of a superior proposal, for the following key reasons:<br>• the implied value of the Offer Consideration (both alternatives) represents an attractive premium for your CPA units<br>• the Independent Expert has concluded that the DEXUS Offer is fair and reasonable, in the absence of a superior proposal<br>• you will have an opportunity to participate in the enlarged DEXUS Property Group, which will include exposure to CPA assets<br>• the DEXUS Offer is superior to the GPT Offer and no superior proposal to the DEXUS Offer has emerged<br>• the CPA unit price is likely to trade below the closing price of CPA units on 15 January 2014 if the DEXUS Offer is not successful and there is no other offer for your CPA units, and<br>• there are risks in not accepting the DEXUS Offer. | For further information, see Section 1. |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| Why might I decline to accept the DEXUS Offer? | Possible reasons for not accepting the DEXUS Offer are:<br>• you may wish to remain a unitholder in CPA<br>• you may disagree with the Independent Directors' recommendation and the Independent Expert's conclusion<br>• you may prefer the GPT Offer or consider that there is potential for a superior proposal to emerge<br>• you may want to sell your CPA units on market and receive an all cash payment for them, or<br>• the tax consequences of the DEXUS Offer may not be suitable to your financial position. | Refer to Section 1.3 for detailed reasons why you may decide not to accept this offer. |
| What happens if I accept the DEXUS Offer but the DEXUS Offer is ultimately unsuccessful? | If you accept the DEXUS Offer but the Offer Conditions are not fulfilled or waived by the Bidder, the DEXUS Offer will not proceed and you will not receive the Offer Consideration. However, accepting the DEXUS Offer will prevent you from selling or otherwise disposing of (including by accepting the GPT Offer or selling them on market) your CPA units until closure of the Offer Period, unless your acceptance can be withdrawn. | Sections 5.13, 5.14 and 5.15 set out some of the considerations for acceptance and withdrawal of the DEXUS Offer. |
| What happens if I don't accept the DEXUS Offer but the DEXUS Offer is ultimately successful? | If you do not wish to accept the DEXUS Offer and want to retain your CPA units, you should simply do nothing. However:<br>• if the Bidder holds a relevant interest in at least 90% of all CPA units on issue during or at the end of the Offer Period, the Bidder will be entitled under the Corporations Act to compulsorily acquire the CPA units that it does not already own (as it intends to do, see Section 7.2 of the DEXUS Bidder's Statement), and<br>• if the Bidder has acquired at least 50.1% of CPA units and does not become entitled to compulsorily acquire your CPA units but all the Offer Conditions are either satisfied or waived, you will be exposed to the risks of being a minority unitholder in CPA. | Refer to Section 5.18 for details on compulsory acquisition.<br>See Section 7.1(g) regarding minority ownership in CPA. |
| What are the risks associated with remaining a CPA unitholder? | If you do not accept the DEXUS Offer and remain a CPA unitholder, you will continue to be exposed to a range of risks, as well as some additional risks if the Bidder acquires control of CPA. | Section 7.1 sets out some risks if you remain a CPA unitholder. |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| What are the risks associated with becoming a DEXUS security holder? | If you accept the DEXUS Offer and become a holder of DEXUS securities, you will be exposed to a range of risks, some of which you are already exposed to as a CPA unitholder, but some of which are new or potentially have a greater impact. | Sections 7.2, 7.3 and 7.4 set out some risks if you accept the DEXUS Offer and retain DEXUS securities, and if the Bidder acquires control of CPA. |
| How do I accept the DEXUS Offer? | Instructions on how to accept the DEXUS Offer are set out in Section 4 of the DEXUS Second Supplementary Bidder's Statement. If you require assistance call the CPA unitholders information line on 1800 500 710 (callers in Australia) or +61 1800 500 710 (callers outside Australia). | |
| How do I reject the DEXUS Offer? | To reject the DEXUS Offer, you do not need to do anything. | |
| What are the consequences of accepting the DEXUS Offer now? | If you accept the DEXUS Offer, unless withdrawal rights are available, you will give up your right to sell your CPA units or otherwise deal with your CPA units while the DEXUS Offer remains open. | |
| If I accept the DEXUS Offer, can I withdraw my acceptance? | You may withdraw your acceptance if, while the DEXUS Offer remains subject to the Offer Conditions, the Bidder varies the DEXUS Offer in a way that postpones the time when the Bidder is required to satisfy its obligations by more than one month. | |
| When does the DEXUS Offer close? | The DEXUS Offer is currently scheduled to close at 7.00pm (Sydney time) on 7 February 2014, but the Offer Period can be extended in certain circumstances. | Section 5.12 provides information about how the Offer Period may be extended. |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| What are the Offer Conditions under the DEXUS Offer? | The DEXUS Offer is subject to a number of conditions which remain to be satisfied or waived by the Bidder before accepting CPA unitholders can receive the Offer Consideration, including the following conditions:<br>• certain regulatory actions are not taken during the period from 11 December 2013 to the end of the Offer Period (each inclusive)<br>• no material acquisitions or disposals during the period from 11 December 2013 to the end of the Offer Period (each inclusive)<br>• no internalisation of the management of CPA, change of responsible entity of CPA or change of control of CMIL<br>• CMIL making a public and unqualified statement, on or before the date it issues its Target's Statement in response to the DEXUS Bidder's Statement, that it will exercise its option under the terms of the CPA Convertible Notes to pay the relevant cash settlement amount to satisfy in full its obligation to convert the convertible notes in respect of which a conversion notice has been duly lodged during the Offer Period. CMIL made an announcement to the ASX on 17 January 2014 to satisfy this condition, and<br>• no prescribed occurrences occur in relation to CPA during the period from 19 December 2013 to the end of the Offer Period (each inclusive).<br>The DEXUS Offer does not have a minimum acceptance condition.<br>Appendix 2 of the DEXUS Bidder's Statement sets out the Offer Conditions in full. | Section 5.9 and Section 5.10 provide further information about the conditions of the DEXUS Offer. |
| What happens if the Offer Conditions are not satisfied or waived? | If the Offer Conditions are not satisfied or waived by the end of the Offer Period, the DEXUS Offer will lapse. You will be free to deal with your CPA units even if you had accepted the DEXUS Offer. | |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| When will I receive the Offer Consideration if I accept the DEXUS Offer? | You will not receive the Offer Consideration until after the DEXUS Offer becomes unconditional. You will be paid the Offer Consideration on or before the later of:<br>• five Business Days after the date of your acceptance of the DEXUS Offer, and<br>• if the DEXUS Offer is subject to an Offer Condition when accepted, within 10 Business Days after the DEXUS Offer or the contract resulting from your acceptance of the DEXUS Offer becomes unconditional,<br>provided that all relevant documents have been received by DEXUS and correctly completed. | |
| What happens if I am an Ineligible Foreign Unitholder or Unmarketable Parcel Unitholder? | If you are (or DEXUS believes that you are) an Ineligible Foreign Unitholder or Unmarketable Parcel Unitholder and you accept the DEXUS Offer, you will not receive DEXUS securities as part of the consideration for your CPA units. Instead, the Bidder will procure within 10 Business Days after the end of the Offer Period the sale of the relevant DEXUS securities to which you and all other Ineligible Foreign Unitholders and Unmarketable Parcel Unitholders would have been entitled, and pay the relevant proportion of the net proceeds of sale to you thereafter.<br>Although the Offer Period ends on 7 February 2014 at 7.00pm (Sydney time), it may be extended by DEXUS in the manner referred to in Section 5.12 of the Target's Statement.<br>If you accept the DEXUS Offer but do not validly elect between Option A and Option B, you will be treated as if you have elected Option B. | Section 5.16 sets out further information in relation to Ineligible Foreign Unitholders and Unmarketable Parcel Unitholders. |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| What are the tax implications of accepting the DEXUS Offer? | A general outline of the tax implications of accepting the DEXUS Offer is set out in the Taxation Report that is contained in Appendix 1 of this Target's Statement, and also in Section 10 of the DEXUS Bidder's Statement and Section 8.2 of the DEXUS Second Supplementary Bidder's Statement.<br><br>As the outline is general in nature and is not addressed to the personal circumstances of CPA unitholders, you should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the DEXUS Offer. | General taxation information is set out in the Taxation Report in Appendix 1. |
| Can I be forced to sell my CPA units to DEXUS? | You cannot be forced to sell your CPA units unless the Bidder acquires a relevant interest in at least 90% of all CPA units. If the Bidder acquires a relevant interest in 90% or more of all CPA units, the Bidder will be entitled to compulsorily acquire any CPA units it does not already own.<br><br>If the Bidder proceeds to compulsory acquisition following the DEXUS Offer, you will receive the same consideration for your CPA units that you would have received under the DEXUS Offer. However, you will receive the Offer Consideration later than the CPA unitholders who accept the DEXUS Offer before the end of the Offer Period. | |
| Can I accept the DEXUS Offer for only some of my CPA units? | No. You cannot accept the DEXUS Offer for only some of your CPA units. You may only accept the DEXUS Offer for all of your CPA units. | |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| When will DEXUS advise as to the status of the Offer Conditions? | Section 7.6 in Appendix 1 of the DEXUS Bidder's Statement indicates that the Bidder will give a Notice of Status of Offer Conditions on 30 January 2014.<br><br>If the Offer Period is extended before the time on which the Notice of Status of Offer Conditions is to be given, the date for the Notice of Status of Offer Conditions will be taken to be postponed for the same period, and the Bidder will be required to give notice that sets out the new date for giving the Notice of Status of Offer Conditions.<br><br>If an Offer Condition is fulfilled (so that the DEXUS Offer becomes free of that Offer Condition) before the date on which the Notice of Status of Offer Conditions is required to be given, the Bidder must, as soon as practicable, give ASIC, ASX and CPA notice that states that the particular Offer Condition has been fulfilled. | |
| Can I sell my CPA units on market? | You can sell all or some of your CPA units on market unless you have accepted the DEXUS Offer or the GPT Offer in respect of those CPA units. If you sell your CPA units on market, you:<br>• will lose the ability to accept the DEXUS Offer or any other offer which may eventuate<br>• will not be entitled to receive any increased consideration if the Offer Consideration is increased by the Bidder<br>• may receive more or less for your CPA units than the Offer Consideration<br>• may incur a brokerage charge, and<br>• will receive the consideration for your CPA units sooner than if you accept the DEXUS Offer while it is still subject to the Offer Conditions. | |
| Can the Bidder vary the DEXUS Offer? | Yes. The Bidder can vary the DEXUS Offer by extending the Offer Period, increasing the Offer Consideration or waiving the Offer Conditions in accordance with the Corporations Act. However, the Bidder has no obligation to do so. | |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| Can DEXUS withdraw the DEXUS Offer? | The Bidder can only withdraw the DEXUS Offer with the consent of ASIC. However, if the DEXUS Offer closes and some or all of the Offer Conditions are not satisfied (and have not been waived by the Bidder), then the DEXUS Offer will lapse and your acceptance will be cancelled. | |
| Will I need to pay brokerage or stamp duty if I accept the DEXUS Offer? | No brokerage or stamp duty will be payable by you as a result of your acceptance of the DEXUS Offer (unless you are an Ineligible Foreign Unitholder or an Unmarketable Parcel Unitholder, in which case the proceeds you will receive will be net of sale expenses). However, if you hold your CPA units through a CHESS Holding or through a bank, custodian or other nominee, you should ask your Controlling Participant (normally your stockbroker) or nominee whether it will charge any transaction fees or service charges in connection with acceptance of the DEXUS Offer). | |
| How can I get updates on the CPA unit or DEXUS security prices? | It is likely that the market trading price of CPA units and DEXUS securities will vary during the Offer Period. You can check the market price for all ASX listed securities by visiting asx.com.au. The ticker for CPA units on the ASX is CPA. The ticker for DEXUS securities on the ASX is DXS. The ticker will need to be entered when seeking the market price for CPA units and DEXUS securities on the ASX website. | |
| Is there a number that I can call if I have further queries in relation to the DEXUS Offer? | If you have any further questions about the DEXUS Offer, please contact the CPA unitholder information line on 1800 500 710 (callers in Australia) or +61 1800 500 710 (callers outside Australia). | |
| What happens if there is a superior proposal from a third party? | If there is a superior proposal from a third party, the Independent Directors will reconsider their recommendation of the DEXUS Offer and advise CPA unitholders accordingly.<br><br>If you have already accepted the DEXUS Offer at that time, you will only be able to withdraw your acceptance in limited circumstances. Accordingly, you may be unable to accept a superior proposal if one arises. | Refer to Section 5.15 concerning withdrawal rights after an offer is accepted. |

| Question | Answer | Refer to this section of the Target's Statement for more information |
|---|---|---|
| What is the GPT Offer? | The GPT Offer is the offer made by GPT for all of the CPA units, for consideration comprising:<br>• $0.75325 cash (reduced by $0.035, being the estimated Distribution), and<br>• 0.141 GPT securities<br>per CPA unit.<br><br>The implied value of the offer consideration under the GPT Offer is $1.226, based on the closing market price of GPT securities on the ASX on 13 January 2014 (namely $3.60) and the cash component of the offer consideration of $0.71825 per CPA unit.<br><br>On 14 January 2014, GPT announced that it would not increase the consideration under the GPT Offer nor would it extend the closing date of the GPT Offer, which is 24 January 2014. | |
| Why should I NOT ACCEPT the GPT Offer? | The Independent Directors consider that the DEXUS Offer is superior to the GPT Offer and therefore have recommended that you **DO NOT ACCEPT** the GPT Offer for the reasons set out in Section 1 of the target's statement for the GPT Offer. | Refer to Section 1 of the target's statement for the GPT Offer. |

CPA

Commonwealth Property Office Fund

Section

# 4 Your choices as a CPA unitholder

As a CPA unitholder, you have several choices available to you. You are encouraged to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your CPA units.

The Independent Directors unanimously recommend that you **ACCEPT THE DEXUS OFFER** in the absence of a superior proposal, for the reasons set out in Section 1.

## 4.1 Accept the DEXUS Offer

You may choose to accept the DEXUS Offer. This is the course of action unanimously recommended by your Independent Directors.

The DEXUS Offer provides two alternative options for the Offer Consideration which CPA unitholders may elect to receive:

- Option A: $0.7745 cash and 0.4516 DEXUS securities per CPA unit, or
- Option B: $0.8496 cash and 0.3801 DEXUS securities per CPA unit.

The Independent Directors do not make a recommendation as to which alternative Offer Consideration CPA unitholders should elect to receive. CPA unitholders may choose Option A if they prefer greater exposure to the enlarged DEXUS Property Group (which will include exposure to CPA assets, except to the extent any of those assets may be sold) as this option includes a larger component of DEXUS securities as compared to Option B. Alternatively, CPA unitholders preferring a higher proportion of cash may choose Option B.

If you accept the DEXUS Offer but do not validly elect either Option A or Option B, you will be treated as if you have elected Option A (unless you are an Ineligible Foreign Unitholder or Unmarketable Parcel Unitholder in which case you will be treated as if you elected Option B).

Details of how to accept the DEXUS Offer and choose a consideration alternative are set out in Section 4 of the DEXUS Second Supplementary Bidder's Statement.

If you have already accepted the DEXUS Offer and wish to receive Option A, you do not need to do anything[1]. If you wish to receive Option B, you must give the Bidder written notice within one month of receipt of the DEXUS Second Supplementary Bidder's Statement. Section 4.2 of the DEXUS Second Supplementary Bidder's Statement sets out what is required.

If you accept the DEXUS Offer, you will not be able to sell your CPA units to anyone else, accept any superior proposal that may emerge or otherwise deal with your CPA units, unless either:

- the DEXUS Offer is unsuccessful (because for example not all of the Offer Conditions are satisfied or waived), or
- the Offer Period is extended by a period of more than one month while it is still conditional (refer to Section 5.15 of this Target's Statement for further information).

## 4.2 Sell your CPA units on the ASX or other relevant market

You remain free to sell your CPA units on market, provided you have not already accepted the DEXUS Offer or the GPT Offer.

On 15 January 2014 (the last practicable date prior to the finalisation of this Target's Statement), the closing unit price for CPA units on the ASX was $1.235. The latest price for CPA units may be obtained from ASX's website at asx.com.au.

If you sell your CPA units, you:

- will lose the ability to accept the DEXUS Offer or any other offer which may eventuate
- will not be entitled to receive any increased consideration if the Offer Consideration is increased by the Bidder
- may receive more or less for your CPA units than the Offer Consideration

1) If you are an Ineligible Foreign Unitholder or Unmarketable Parcel Unitholder and you wish to accept Option A, you will need to give the Bidder written notice within one month of receipt of the DEXUS Second Supplementary Bidder's Statement. Section 4.2 of the DEXUS Second Supplementary Bidder's Statement sets out what is required.

- may incur a brokerage charge, and
- will receive the consideration for your CPA units sooner than if you accept the DEXUS Offer while it is still subject to the Offer Conditions.

If you wish to sell your CPA units on market, you should contact your broker for information on how to effect that sale.

## 4.3 Do nothing and retain your CPA units

If you do not wish to accept the DEXUS Offer and want to retain your CPA units, you should simply do nothing.

However, you should note that:

- if the Bidder holds a relevant interest in at least 90% of all CPA units on issue during or at the end of the Offer Period, the Bidder will be entitled under the Corporations Act to compulsorily acquire the CPA units that it does not already own (as it intends to do: see Section 7.2 of the DEXUS Bidder's Statement). Refer to Section 5.18 of this Target's Statement for details on compulsory acquisition, and
- if the Bidder has acquired at least 50.1% of all CPA units and does not become entitled to compulsorily acquire your CPA units, but all the conditions of the DEXUS Offer are either satisfied or waived, you will be exposed to the risks of being a minority unitholder in CPA (see Section 7.1 of this Target's Statement).

## 4.4 Accept the GPT Offer

You may choose to accept the GPT Offer rather than the DEXUS Offer. The Independent Directors recommended that you do not accept the GPT Offer (see Section 1 of the target's statement prepared in response to the GPT Offer).

If you accept the GPT Offer, you will not be able to sell your CPA units to anyone else, accept the DEXUS Offer or any superior proposal that may emerge or otherwise deal with your CPA units, unless the GPT Offer is unsuccessful (because for example not all of the offer conditions under the GPT Offer are satisfied or waived).

On 14 January 2014, GPT announced:

- that it will not increase the consideration under the GPT Offer, and that the closing date of the GPT Offer (namely 24 January 2014) will not be extended
- as at 13 January 2014, GPT had received acceptances under the GPT Offer totalling 3.74% of all CPA units. In the event that the defeating conditions under the GPT Offer (including GPT's minimum acceptance condition of 50.1%) are not fulfilled or waived by the closing date of the GPT Offer, these acceptances will be void. Including the 7.97% interest under certain pre-bid agreements (described below), GPT's relevant interest in CPA units was 11.72%, and
- as at 14 January 2014, the obligations of certain institutional CPA unitholders under pre-bid agreements entered into with GPT to accept the GPT Offer were no longer enforceable by GPT.

CPA

Commonwealth Property Office Fund

Section

# 5 Important information about DEXUS, CPPIB, the Bidder and the DEXUS Offer

The information on the Bidder, DEXUS and CPPIB contained in this Target's Statement has been prepared by CMIL from publicly available information that DEXUS has lodged with the ASX, including the DEXUS Bidder's Statement, and has not independently been verified by CMIL.

## 5.1 The Bidder

The Bidder is DEXUS Funds Management Limited as trustee of DEXUS Office Trust Australia (Bid Trust).

The directors of DEXUS Funds Management Limited are listed in Section 3.12(b) of the DEXUS Bidder's Statement.

Bid Trust is owned by DEXUS Funds Management Limited (in its capacity as trustee of DOT Subtrust No. 2) and CPPIB Australian Holdings No. 1 Pty Ltd (in its capacity as trustee of CPPIB DOTA Trust), who each own 50% of the units on issue.

The purpose of Bid Trust is to acquire CPA units pursuant to the DEXUS Offer. Other than nominal seed capital and pursuant to the DEXUS Offer, Bid Trust has no other assets or liabilities. Bid Trust's funding arrangements in relation to the DEXUS Offer are set out in Sections 9 and 12 of the DEXUS Bidder's Statement, and Section 6 of the DEXUS Second Supplementary Bidder's Statement.

## 5.2 DEXUS Property Group

DEXUS Property Group is an ASX-listed real estate investment group, investing directly in high quality Australian office and industrial properties. In addition, with $13.4 billion of assets under management, DEXUS Property Group actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners.

DEXUS Property Group comprises four head trusts, being:

a) DEXUS Diversified Trust

b) DEXUS Industrial Trust

c) DEXUS Office Trust, and

d) DEXUS Operations Trust.

The units of these head trusts are stapled and are quoted and trade as a single security on ASX. The responsible entity of DEXUS Property Group is DEXUS Funds Management Limited.

DEXUS Property Group has two areas of operation:

a) a $7.3 billion direct portfolio of high-quality office and industrial properties in Australia which drives the majority of DEXUS Property Group's operating earnings before interest and tax, and

b) a $6.1 billion third party funds management platform which manages and develops Australian office, industrial and retail properties on behalf of third party capital partners, including DEXUS Wholesale Property Fund and the Australian Industrial Partnership.

The DEXUS Property Group portfolio comprises quality office and industrial properties in which DEXUS Property Group owns direct investments. The total value of DEXUS Property Group's investment property portfolio at 30 June 2013 was $7.3 billion, representing 84 office and industrial properties.

Further information about DEXUS Property Group is available on its website: dexus.com and Section 3 of the DEXUS Bidder's Statement.

## 5.3 CPPIB

CPPIB is a professional investment management organisation that invests the funds not needed by the Canada Pension Plan to pay current benefits on behalf of 18 million Canadian contributors and beneficiaries. As at 30 September 2013, the Canada Pension Plan Fund totalled C$192.8 billion, of which approximately C$22.0 billion represents real estate investments.

Created by an Act of the Canadian Parliament in 1997, CPPIB is accountable to the Canadian Federal Government and provincial finance ministers who serve as the Canada Pension Plan's stewards. However, CPPIB is governed and managed independently of the Canada Pension Plan, operating at arm's length from governments with a singular investment-only mandate.

Further information about CPPIB is available on its website: cppib.com and Section 4 of the DEXUS Bidder's Statement.

## 5.4 Facilitation Agreement

Section 12.4 of the DEXUS Bidder's Statement provides information about the Facilitation Agreement that DEXUS Funds Management Limited (as responsible entity of the DEXUS Operations Trust) has entered into with CBA for the provision of transitional facilitation services in relation to the management of CPA, from the date when the combined voting power of DEXUS and CPPIB in CPA is equal to at least 50.1%.

## 5.5 CPA MOU

Sections 2.1 and 7.3 of the DEXUS Second Supplementary Bidder's Statement state that the Bidder, CPPIB and DEXUS have entered into a memorandum of understanding with GPT FM as responsible entity of GWOF in relation to the sale of a:

a) 100% interest in 750 Collins Street, Melbourne

b) 50% interest in 2 Southbank Boulevard, Melbourne (subject to compliance with applicable pre-emptive provisions)

c) 100% interest in 655 Collins Street, Melbourne, and

d) 50% interest in 10 Shelley Street, Sydney (subject to compliance with applicable pre-emptive provisions),

(the CPA MOU).

Under the CPA MOU, the parties agree to enter into formal option deeds attaching contracts for sale. The option deeds will contain a call option (in favour of GWOF) and a put option (in favour of the Bidder) over each of the above four CPA assets. The aggregate sales price for all four properties is $679 million. Exercise of the options is conditional on the Bidder acquiring a relevant interest in 90% of CPA units (by number) under the DEXUS Offer.

Further information in relation to the CPA MOU is contained in the DEXUS announcement released to the ASX on 6 January 2014 and the DEXUS Second Supplementary Bidder's Statement.

## 5.6 Offer Consideration

The DEXUS Offer provides two alternative options for the Offer Consideration which CPA unitholders may elect to receive:

- Option A: $0.7745 cash and 0.4516 DEXUS securities per CPA unit, or
- Option B: $0.8496 cash and 0.3801 DEXUS securities per CPA unit.

If you accept the DEXUS Offer but do not validly elect either Option A or Option B, you will be treated as if you have elected Option A (unless you are an Ineligible Foreign Unitholder or Unmarketable Parcel Unitholder in which case you will be treated as if you elected Option B).

CMIL has announced that an estimated Distribution of 3.5 cents per CPA unit will be made on or about 28 February 2014 to CPA unitholders for CPA units registered in their name on 31 December 2013. Even if they accept the DEXUS Offer, CPA unitholders will retain any entitlement to the Distribution. However, any other distribution paid to CPA unitholders during the Offer Period will be deducted from the cash consideration under the DEXUS Offer.

## 5.7 Offer Period

The DEXUS Offer will be open for acceptance from 6 January 2014 until 7.00pm (Sydney time) on 7 February 2014, unless extended or withdrawn.

The circumstances in which the Bidder may extend or withdraw the DEXUS Offer are set out in Section 5.12 and Section 5.13 respectively of this Target's Statement.

## 5.8 Funding of the DEXUS Offer

Section 9.6 of the DEXUS Bidder's Statement and Section 6 of the DEXUS Second Supplementary Bidder's Statement sets out the funding arrangements of the Bidder, DEXUS and CPPIB for the Offer Consideration.

## 5.9 Offer Conditions

The full list of Offer Conditions is set out in Appendix 2 of the DEXUS Bidder's Statement. In summary, the Offer Conditions include the following:

a) certain regulatory actions are not taken to restrain, impede or prohibit the DEXUS Offer from 11 December 2013 until the end of the Offer Period (each inclusive)

b) no member of the CPA group undertakes any material acquisitions or disposals, or agrees to material new commitments, during the period from 11 December 2013 until the end of the Offer Period (each inclusive)

c) no internalisation of the management of CPA, change of responsible entity of CPA or change of control of CMIL

d) CMIL making a public and unqualified statement, on or before the date it issues the Target's Statement, that it will exercise its option under the terms of the Convertible Notes to pay the relevant cash settlement amount to satisfy in full its obligation to convert the convertible notes in respect of which a conversion notice has been duly lodged during the Offer Period, and

e) no 'prescribed occurrences' occur in relation to CPA during the period from 19 December 2013 until the end of the Offer Period.

Further information about the condition that is referred to in Section 5.9(b), as it applies to the Parramatta Properties, is set out in Section 8.8(b).

If there is a Change of Control (as defined in the DEXUS Bidder's Statement) of CMIL as a result of the CFX Internalisation Proposal during the Offer Period then, unless the Offer Condition that is referred to in Section 5.9(c) of this Target's Statement has been waived by the Bidder in relation thereto, that Offer Condition may not be satisfied and, in that event, and the DEXUS Offer will lapse and will not proceed, resulting in the consequences that are referred to in Section 5.10 of this Target's Statement.

There is no certainty either that the CFX Internalisation Proposal will be implemented during the Offer Period or, if it is, that it will result in a Change in Control of CMIL for the purposes of that Offer Condition.

On 17 January 2014, CMIL made the ASX announcement that is referred to in Section 6.8 of this Target's Statement. CMIL made this announcement to satisfy the condition referred to in Section 5.9(d).

## 5.10 Effect of non-satisfaction of Offer Conditions

If any Offer Condition is not satisfied or waived by the Bidder by the end of the Offer Period, then the DEXUS Offer will lapse and not proceed, you will retain your CPA units and you will not receive the Offer Consideration.

In addition, there is a statutory condition relating to the ASX quotation of DEXUS securities to be issued under the DEXUS Offer. If this condition is not satisfied, the DEXUS Offer will lapse and not proceed, you will retain your CPA units and you will not receive the Offer Consideration.

You should be aware that, even if the Offer Conditions are not satisfied (or are triggered, as appropriate), the Bidder has stated in the DEXUS Bidder's Statement at Section 13.10 that any or all of the Offer Conditions may be waived by the Bidder.

If any Offer Condition is unsatisfied (or has been triggered) and has not been waived, the Bidder will have an option as to whether to proceed with the acquisition of CPA units under the DEXUS Offer or allow the DEXUS Offer to lapse with unsatisfied Offer Conditions. If the DEXUS Offer lapses, all acceptances of the DEXUS Offer will be void and of no effect.

## 5.11 Status of Offer Conditions

Section 7.6 of Appendix 1 of the DEXUS Bidder's Statement states that the Bidder will give a Notice of Status of Offer Conditions to ASX and CPA on 30 January 2014. The Bidder is required to set out in its Notice of Status of Offer Conditions:

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

b) whether, so far as the Bidder knows, any of the Offer Conditions have been fulfilled, and

c) the voting power held by the Bidder (including the Bidder's associates) in CPA at that time.

If the Offer Period is extended before the Notice of Status of Offer Conditions is to be given, the date for giving the Notice of Status of Offer Conditions will be taken to be postponed for the same period. In the event of such an extension, the Bidder is required, as soon as practicable after the extension, to notify ASX and CPA of the new date for giving the Notice of Status of Offer Conditions.

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

## 5.12 Extension of Offer Period

The Bidder may extend the Offer Period at any time before giving the Notice of Status of Offer Conditions while the DEXUS Offer is subject to Offer Conditions. However, if the DEXUS Offer is unconditional (that is, all the Offer Conditions are satisfied or waived), the Bidder may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last seven days of the Offer Period, the Bidder improves the consideration offered under the DEXUS Offer. If this event occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurred.

## 5.13 Withdrawal of the DEXUS Offer

The Bidder may not withdraw the DEXUS Offer if you have already accepted it. However, if the Offer Conditions have not been satisfied or waived at the end of the Offer Period, then all acceptances will be void. Before you accept the DEXUS Offer, the Bidder may withdraw the DEXUS Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

## 5.14 Effect of acceptance

The effect of acceptance of the DEXUS Offer is set out in Section 8 of Appendix 1 of the DEXUS Bidder's Statement. You should read these provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your CPA units and the representations and warranties which you will be giving the Bidder by accepting the DEXUS Offer. In particular, accepting the DEXUS Offer will prevent you from selling your CPA units during the Offer Period (unless your acceptance can be withdrawn) and if the DEXUS Offer is declared or becomes unconditional, DEXUS will be able to exercise the rights attaching to your CPA units.

Furthermore, as noted in Section 8.3(f) of Appendix 1 of the DEXUS Bidder's Statement, by accepting the DEXUS Offer you represent and warrant to the Bidder that, at the time of your acceptance and at the time the transfer of your CPA units to the Bidder:

a) you have paid to CPA all amounts which are due for payment in respect of your CPA units

b) all of your CPA units are fully paid and free from all encumbrances (as defined in the DEXUS Bidder's Statement) and restrictions on transfer of any nature, and

c) you have full power and capacity to sell and transfer those CPA units.

## 5.15 Withdrawal of your acceptance

If you accept the DEXUS Offer, you will only be able to withdraw your acceptance in limited circumstances.

You may only withdraw your acceptance of the DEXUS Offer if the Bidder varies the DEXUS Offer in a way that postpones, for more than one month, the time when the Bidder needs to meet its obligations under the DEXUS Offer. This will occur if the Bidder extends the Offer Period by more than one month and the DEXUS Offer is still subject to Offer Conditions.

## 5.16 When you will receive the Offer Consideration

You will not receive the Offer Consideration until after the DEXUS Offer becomes unconditional. You will be paid the Offer Consideration on or before the later of:

- five Business Days after the date of your acceptance of the DEXUS Offer, and
- if the DEXUS Offer is subject to an Offer Condition when accepted, within 10 Business Days after the DEXUS Offer or the contract resulting from your acceptance of the DEXUS Offer becomes unconditional,

provided that all relevant documents have been received by DEXUS and are correctly completed.

See Section 1.1 of the DEXUS Bidder's Statement for further details regarding when you will be paid the Offer Consideration by the Bidder.

If you are an Ineligible Foreign Unitholder or Unmarketable Parcel Unitholder (or if Bidder believes that you are an Ineligible Foreign Unitholder or Unmarketable Parcel Unitholder) and you accept the DEXUS Offer, you will not be entitled to receive DEXUS securities as part of the consideration for your CPA units. Instead, as stated in Section 6.3 of Appendix 1 of the DEXUS Bidder's Statement:

- the Bidder will arrange for the issue to a nominee approved by ASIC (the Sale Nominee) of the DEXUS securities to which you and all other Ineligible Foreign Unitholders and Unmarketable Parcel Unitholders would have been entitled
- the Bidder will cause the Sale Nominee to offer for sale the DEXUS securities within 10 Business Days after the end of the Offer Period in a manner, at a price and on the terms and conditions determined by the Sale Nominee, and
- after the settlement of the sale by the Sale Nominee of the DEXUS securities held by Ineligible Foreign Unitholders and Unmarketable Parcel Unitholders, the Bidder will pay to them, as soon as practicable, the amount calculated in accordance with the terms of the DEXUS Offer.

## 5.17 Effect of an improvement in the Offer Consideration

If the Bidder improves the consideration offered under the DEXUS Offer so that the forms of consideration under Option A and Option B are increased identically or by the same percentage, all CPA unitholders, whether or not they have accepted the DEXUS Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

If the Bidder improves the consideration offered so that a new alternative is offered, or the consideration under Option A and Option B is not increased in an identical manner or proportionately, CPA unitholders who have accepted the DEXUS Offer will be entitled to make a fresh election as to the Offer Consideration alternative they receive.

## 5.18 Compulsory acquisition

The Bidder has stated in Section 7.2 of the DEXUS Bidder's Statement that if it becomes entitled to proceed to compulsory acquisition in accordance with the Corporations Act, it intends to compulsorily acquire any outstanding CPA units.

CPA unitholders should be aware that if they do not accept the DEXUS Offer and their CPA units are compulsorily acquired, those CPA unitholders will face a delay in receiving the consideration for their CPA units compared with CPA unitholders who have accepted the DEXUS Offer.

Under Part 6A.1 of the Corporations Act, the Bidder will be entitled to compulsorily acquire any outstanding CPA units for which it has not received acceptances on the same terms as the DEXUS Offer if, during or at the end of, the Offer Period, the Bidder (together with its associates):

a) has relevant interests in at least 90% (by number) of the CPA units, and

b) has acquired at least 75% (by number) of the CPA units that the Bidder offered to acquire under the DEXUS Offer (whether the acquisitions happened under the DEXUS Offer or otherwise).

If these thresholds are met, the Bidder will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to CPA unitholders who have not accepted the DEXUS Offer. The consideration payable by the Bidder will be the Offer Consideration last offered under the DEXUS Offer.

CPA unitholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant CPA unitholders to establish to the satisfaction of a court that the terms of the DEXUS Offer do not represent 'fair value' for the CPA units.

## 5.19 Lapse of DEXUS Offer

The DEXUS Offer will lapse if the Offer Conditions are not waived or satisfied by the end of the Offer Period, in which case, all contracts resulting from acceptance of the DEXUS Offer and all acceptances that have not yet resulted in binding contracts are void. In that situation, you will be free to deal with your CPA units as you see fit.

## 5.20 DEXUS's intentions

Section 7 of the DEXUS Bidder's Statement sets out the Bidder's intentions in respect of the business and operations of CPA following the DEXUS Offer. In summary, the Bidder has stated that:

**If the Bidder acquires 90% or more of CPA units:**

a) the Bidder will proceed with compulsory acquisition of the outstanding CPA units in accordance with the provisions of Chapter 6A of the Corporations Act

b) subject to the Corporations Act, the Bidder will replace CMIL with DEXUS Funds Management Limited as responsible entity of CPA

c) the Bidder will seek the appointment of appropriately licensed DEXUS group entities to manage CPA and CPA's assets, and

d) the Bidder will offer to the responsible entity of GPT Wholesale Office Fund No. 1 and GPT Wholesale Office Fund No. 2 the opportunity to acquire, on market terms:

  i) a 100% interest in 750 Collins Street, Melbourne, and

  ii) a 50% interest in 2 Southbank Boulevard, Melbourne[1]

  for an aggregate price of $450.7 million.

As discussed in Section 5.5 the Bidder, CPPIB and DEXUS have entered into the CPA MOU in relation to the sale of the CPA assets referred to in Section 5.20(d) above.

In addition, the parties have agreed under the CPA MOU that GPT FM will also have the opportunity to acquire a further two CPA assets, being CPA's:

- 100% interest in 655 Collins Street, Melbourne, and
- 50% interest in 10 Shelley Street, Sydney (subject to compliance with applicable pre-emptive provisions).

The aggregate sales price for all four properties is $679 million. The sales are conditional on the Bidder acquiring a relevant interest in 90% of CPA units (by number) under the DEXUS Offer.

Further information in relation to the memorandum of understanding is contained in the DEXUS announcement released to the ASX on 6 January 2014 and the DEXUS Second Supplementary Bidder's Statement.

**If the Bidder acquires 50.1% or more of CPA units:**

a) the Bidder will seek to implement its intentions for an acquisition of greater than 90% of CPA units, and

b) the Bidder will review the ongoing suitability of CPA for listing on the ASX, but currently intends that CPA continues to be listed on ASX while it meets the ASX requirements for maintaining a listing.

A full list of the Bidder's intentions on acquiring 50.1% or more of CPA units are set out in Section 7.3 of the DEXUS Bidder's Statement.

**If the Bidder acquires less than 50.1% of CPA units:**

a) the Bidder will seek to appoint DEXUS Funds Management Limited or another entity as the new responsible entity of CPA

b) the Bidder will seek the appointment of appropriately licensed DEXUS group entities to manage CPA and CPA's assets, and

c) the Bidder currently intends not to vote its stake in favour of any asset sales to a related body corporate of a current or future responsible entity of CPA, but reserves its rights to change that intention.

1) Via an indirect sale of units in holding entities and subject to the co-owner waiving any pre-existing rights in respect of a sale.

## 5.21 Taxation consequences

CMIL appointed Greenwoods & Freehills to prepare the Taxation Report which is included in Appendix 1 to this Target's Statement.

The Taxation Report only provides a summary of, and general information on, the Australian income tax and GST consequences of accepting the DEXUS Offer.

The Taxation Report was prepared on the basis that the Bidder has confirmed to CMIL the following:

a) if prior to 30 June 2014 CMIL is replaced by an appropriately licensed DEXUS Property Group entity as the responsible entity of CPA, Bidder will cause that entity, as trustee of CPA, to make a determination in accordance with clause 9.3 of the CPA Constitution as at 7 November 2011, to distribute the Distributable Amount for the Distribution Period ending 30 June 2014 to CPA unitholders registered as such on 30 June 2014, and

b) if the Bidder proceeds to compulsorily acquire the remaining CPA units under the Corporations Act (having acquired a relevant interest in 90% or more of CPA Units) and prior to 30 June 2014 it sells the assets contemplated by the CPA MOU, it will procure the trustee of CPA to make a determination in accordance with clause 9.3 of the CPA Constitution as at 7 November 2011 that the Distributable Amount for the Distribution Period ending 30 June 2014 (to which Bidder, as sole unitholder of CPA will be presently entitled) will include an amount equal to any net capital gains that arise in that Distribution Period.

CMIL requested that the Bidder provide this confirmation to ensure that CPA unitholders who receive the Distribution in respect of the period ended 31 December 2013 are not taxed on a disproportionate share of CPA's income or capital gains.

CPA unitholders should seek independent professional advice on the consequences of their participation in the DEXUS Offer, based on their particular circumstances. Unitholders who are not resident in Australia must obtain advice on the taxation implications arising in their local jurisdiction of the proposed transaction.

CPA
Commonwealth Property Office Fund

Section

# 6 Information relating to CPA

## 6.1 Overview

CPA is a sector-specific Australian Real Estate Investment Trust investing in prime quality office property located in central business districts and major suburban markets across Australia.

CPA originally listed on the ASX in April 1999. Upon listing, CPA had $619.5 million of assets with an initial portfolio of seven assets. At 31 October 2013, CPA comprised 25 assets with a total asset value of approximately $3.9 billion and net tangible asset backing per CPA unit (NTA) of $1.19[1]. CPA's gearing at 31 October 2013 was 25.6%, well within its targeted range of 25-35%. As at 15 January 2014, being the last practicable date before finalisation of the Target's Statement, CPA had a market capitalisation of $2.9 billion (based on a closing price of $1.235 per unit).

CPA is externally managed by CMIL, a wholly owned subsidiary of CBA.

## 6.2 Strategy

CPA's strategy to achieve its vision of being a leading manager of Australian office property is to execute on the following four key areas:

a) Active asset management
   - i) Protect and enhance CPA's income streams through active asset management, including leasing and tenant engagement, to create compelling places to work.
   - ii) Position assets to meet tenant demand for:
     - A) amenity
     - B) quality
     - C) sustainability, and
     - D) emerging trends.
   - iii) Ensure CPA maintains:
     - A) high occupancy
     - B) a long weighted average lease expiry (WALE)
     - C) high tenant satisfaction rating, and
     - D) high tenant retention.

b) Disciplined investment decisions
   - i) Enhance portfolio quality through strategic acquisitions, divestments and developments within CPA's property portfolio.
   - ii) Refurbish assets to improve market position and optimise returns.
   - iii) Identify developments which enhance the portfolio and meet the following criteria:
     - A) <20% of total assets on a cost to complete basis
     - B) >10% internal rate of return, and
     - C) target yield >7%.

c) Prudent capital management
   - i) Optimise CPA's debt pricing, whilst maintaining appropriate diversity, duration and hedging strategies.
   - ii) Maintain key ratios and ratings, including:
     - A) gearing target range of 25% to 35%
     - B) Standard & Poor's A– rating
     - C) interest cover ratio >2.0 times, and
     - D) hedging:

1) Unaudited figure and includes retained earnings for the four months to 31 October 2013, assuming a payout ratio of approximately 75% of Funds From Operations.

(aa) Short term: 65% to 85%, and

(bb) Long term[2]: 30% to 60%.

d) Investing responsibly

i) Manage environmental, social and governance risks to create and maintain value for our investors.

ii) Execute on the following:

A) maintain compliance with the ASX Corporate Governance Council's Principles and Recommendations

B) maintain leading position amongst Australian Real Estate Investment Trust (A-REIT) peers in responsible property investment

C) optimise asset efficiency through leading sustainability initiatives, and

D) actively engage with tenants to enhance tenant experience and create vertical communities.

## 6.3 Portfolio overview

The value of CPA's property portfolio is estimated at $3.8 billion with a portfolio weighted average capitalisation rate of 7.3% as at 31 December 2013.

### CPA key portfolio metrics

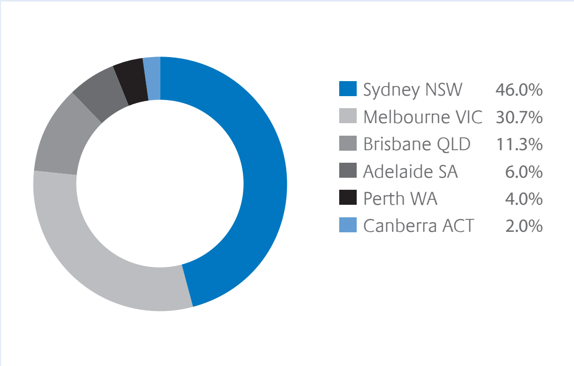
| | |
|---|---|
| Number of assets | 25 |
| Investment properties(A)(B) | $3.8 billion |
| Weighted average capitalisation rate(A)(B) | 7.3% |
| WALE (by income)(C) | 4.4 years |
| WALE (by income) – including terms agreed(C) | 4.5 years |
| Occupancy (by income)(C) | 94.7% |
| Occupancy (by income) – including terms agreed(C) | 95.9% |

Notes:
(A) Unaudited as at 31 December 2013.
(B) Estimate based on updated current valuations.
(C) As at 31 October 2013.

**Location and number of CPA assets**


The CPA portfolio of 25 office assets is well diversified throughout Australia, concentrated in the more stable Sydney and Melbourne markets (76.7% of portfolio by value).

**CPA geographic diversification(A)(B)**

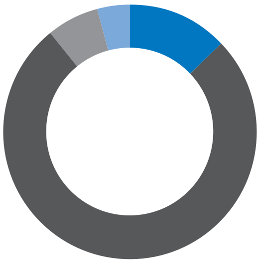



Notes:
(A) As at 31 October 2013.
(B) By value.

2) Five years.

### CPA property grade diversification(A)(B)

The portfolio has a bias towards higher grade assets, with 89.3% of properties either premium or A-grade (by value).




Notes:
(A) As at 31 October 2013.
(B) By value.
(C) Other comprises QV retail and car park at 180-222 Lonsdale Street, Melbourne.

### Top 15 CPA tenants

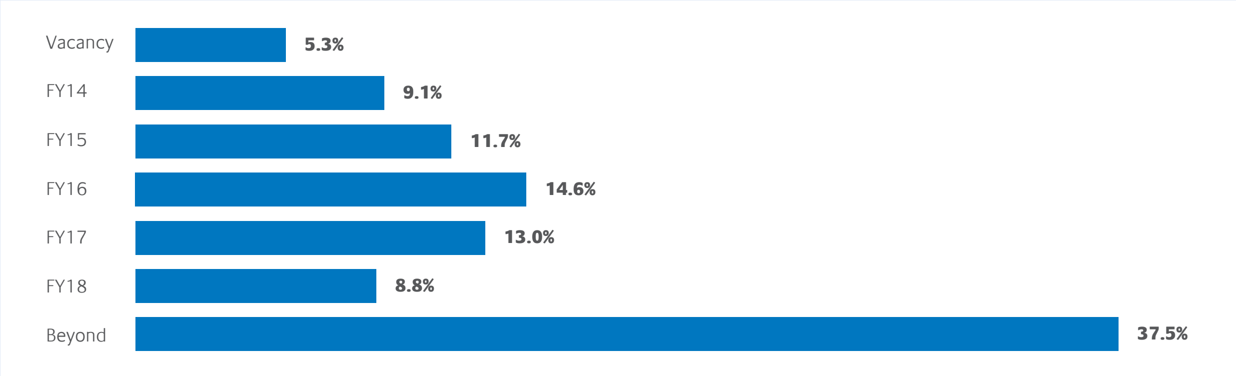
CPA's portfolio is well diversified by tenant type, with many major tenants from the financial services and public administration sectors.

| Top 15 tenants(A) | % of income |
|---|---|
| Commonwealth Bank of Australia | 10.7 |
| Federal Government | 5.9 |
| AMP | 5.9 |
| SA Government | 4.6 |
| KPMG | 3.6 |
| NSW Government | 3.5 |
| Deloitte | 2.7 |
| Fairfax Media | 2.5 |
| Telstra | 2.4 |
| GHD | 2.4 |
| Clough Projects | 2.0 |
| PwC | 2.0 |
| IAG | 2.0 |
| BNP Paribas | 1.8 |
| Energy Australia | 1.5 |
| Top 15 total | 53.5 |

Note:
(A) As at 31 October 2013.

### CPA lease expiry profile[A][B]

CPA's portfolio is well diversified by lease duration, with 59.3% of leases expiring in FY17 and beyond.




Notes:
(A) As at 31 October 2013.
(B) By income.

### CPA portfolio overview

CPA's office portfolio comprises interests in the properties set out in the table below.

| Property | Grade | CPA ownership (%) | Book value Oct-13 ($m) | Book value Jun-13 ($m) | Capitalisation rate (%) | Latest independent valuation | Date of latest independent valuation |
|---|---|---|---|---|---|---|---|
| **Australian Capital Territory** | | | | | | | |
| Finlay Crisp Centre, Canberra | | | | | | | |
| – Allara House | B | 100 | 21.0 | 21.0 | 9.25 | 21.0 | Oct-13 |
| – Customs House | B | 100 | 31.5 | 31.5 | 9.25 | 31.5 | Oct-13 |
| – Nara Centre | B | 100 | 25.0 | 25.0 | 8.75 | 25.0 | Oct-13 |
| **New South Wales** | | | | | | | |
| 60 Castlereagh St, Sydney | A | 100 | 251.5 | 247.8 | 6.75 | 251.5 | Oct-13 |
| 2 Dawn Fraser Ave, Sydney Olympic Park[A] | A | 50 | 48.2 | 48.2 | 8.00 | 48.5 | Dec-13 |
| 4 Dawn Fraser Ave, Sydney Olympic Park[A] | A | 50 | 35.6 | 35.6 | 7.75 | 36.0 | Dec-13 |
| 36 George St, Burwood | A | 100 | 51.2 | 52.1 | 8.75 | 51.2 | Oct-13 |
| 101 George St, Parramatta | A | 100 | 96.0 | 93.0 | 7.75 | 96.0 | Oct-13 |
| 150 George St, Parramatta | A | 100 | 99.4 | 98.9 | 8.50 | 99.5 | Sep-13 |
| 225 George St, Sydney[A] | Premium | 25 | 276.7 | 275.1 | 6.25 | 277.5 | Dec-13 |
| 201 Kent St, Sydney | A | 50 | 162.5 | 160.4 | 7.25 | 162.5 | Oct-13 |
| 14 Lee St, Sydney | A | 100 | 67.5 | 70.1 | 8.50 | 67.5 | Sep-13 |
| 5 Martin Pl, Sydney[B] | – | 50 | 58.5 | 52.5 | N/A | 63.75 | Dec-13 |

**CPA portfolio overview**

| Property | Grade | CPA ownership (%) | Book value Oct-13 ($m) | Book value Jun-13 ($m) | Capitalisation rate (%) | Latest independent valuation | Date of latest independent valuation |
|---|---|---|---|---|---|---|---|
| **New South Wales (continued)** | | | | | | | |
| 201 Miller St, North Sydney | A | 100 | 78.6 | 74.1 | 8.50 | 78.5 | Sep-13 |
| 56 Pitt St, Sydney | B | 100 | 173.0 | 168.7 | 7.13 | 173.0 | Oct-13 |
| 175 Pitt St, Sydney | | | | | | | |
| – Office | A | 100 | 182.5 | 182.0 | 7.25 | 182.5 | Oct-13 |
| – Retail | – | 100 | 70.0 | 63.5 | 6.50 | 70.0 | Oct-13 |
| 10 Shelley St, Sydney | A | 50 | 108.0 | 108.0 | 7.00 | 108.0 | Oct-13 |
| **Queensland** | | | | | | | |
| 145 Ann St, Brisbane | A | 100 | 230.0 | 221.8 | 7.05 | 230.0 | Oct-13 |
| 10 Eagle St, Brisbane | A | 100 | 201.3 | 209.5 | 7.50 | 201.3 | Oct-13 |
| **South Australia** | | | | | | | |
| 108 North Terrace, Adelaide | A | 100 | 68.9 | 73.8 | 8.50 | 68.5 | Sep-13 |
| 11 Waymouth St, Adelaide | Premium | 100 | 160.0 | 155.0 | 8.00 | 160.0 | Sep-13 |
| **Victoria** | | | | | | | |
| 385 Bourke St, Melbourne | | | | | | | |
| – Office | A | 100 | 249.3 | 240.5 | 7.25 | 249.0 | Sep-13 |
| – Retail | – | 100 | 66.0 | 62.1 | 6.75 | 66.0 | Sep-13 |
| 655 Collins St, Melbourne | A | 100 | 103.0 | 100.0 | 6.75 | 103.0 | Oct-13 |
| 750 Collins St, Melbourne | A | 100 | 253.0 | 240.0 | 7.25 | 253.0 | Oct-13 |
| 180-222 Lonsdale St, Melbourne | | | | | | | |
| – Office | A | 50 | 149.4 | 145.5 | 7.50 | 149.4 | Oct-13 |
| – Retail(C) | – | 50 | 158.3 | 150.9 | 6.75 | 158.3 | Oct-13 |
| 2 Southbank Blvd, Melbourne | A | 50 | 195.0 | 182.9 | 6.88 | 195.0 | Oct-13 |
| **Western Australia** | | | | | | | |
| 46 Colin St, West Perth | A | 100 | 44.0 | 44.0 | 9.75 | 44.0 | Oct-13 |
| 58 Mounts Bay Rd, Perth | A | 50 | 109.0 | 102.9 | 7.75 | 109.0 | Oct-13 |
| Total/weighted average | | | 3,823.9 | 3,736.4 | 7.3 | | |

Notes:
(A) Represents the value of CPA's units in the respective trusts.
(B) Development asset.
(C) Including QV car park.

## 6.4 Capital management

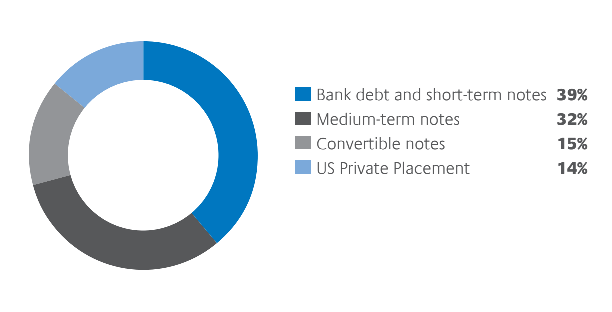
**Key debt statistics(A)**

| | |
|---|---|
| Weighted average interest rate(B) | 5.5% |
| Weighted average duration of debt | 3.5 years |
| Portion of debt hedged(C) | 93.8% |
| Weighted average hedged rate(C)(D) | 5.1% |
| Undrawn debt facilities | $323.5 million |
| Long-term credit rating – Moody's | A3/Stable |
| Long-term credit rating – S&P | A–/Negative watch |
| Gearing | 25.1% |
| Loan to value ratio(E) | 28.2% |
| Interest cover ratio(F) | 4.5 times |

Notes:
(A) As at November 2013.
(B) Including line fees and margins.
(C) Including all fixed-rate debt.
(D) Excluding fees and margins.
(E) Calculated as total liabilities divided by total assets, excluding the option component of the convertible notes and the non-cash impact of the fair value of derivatives.
(F) Calculated as earnings before interest divided by net interest expense. For the purposes of this calculation, earnings represents net profit excluding all fair value adjustments, straight-lining revenue, borrowing costs and net interest expense on interest rate swaps. Interest expense is the sum of borrowing costs, net interest expense on interest rate swaps, and capitalised interest, less non-cash convertible notes interest expense.

**Debt diversification(A)**

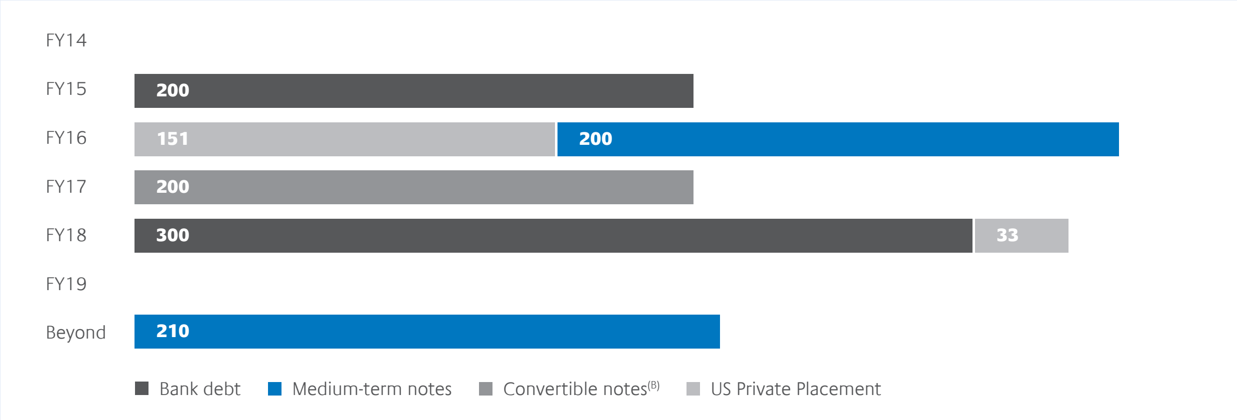
CPA's debt is well diversified, with bank debt, debt capital market funding and other funding.




Note:
(A) As at 31 October 2013.

### Debt maturity profile[A]

CPA's debt expiry profile is staggered, with limited near-term expiries.




Notes:
(A) As at 31 October 2013. Excludes short-term notes expiring in FY14 which are backed by bank debt facilities.
(B) Convertible notes have an investor put option in December 2014.

### Summary of debt facilities – November 2013

CPA has the following facilities available:

| | Expiry | Drawn[A] ($m) | Facility limit ($m) | Undrawn line of credit ($m) |
|---|---|---|---|---|
| Cash advance facility | 30-Apr-18 | 151.5 | 300.0 | 148.5 |
| Cash advance facility | 12-Jun-15 | – | 200.0 | 200.0 |
| Short-term notes[B] | 4-Dec-13 to 11-Dec-13 | 25.0 | 100.0 | – |
| Medium-term notes | 11-Mar-16 | 200.0 | 200.0 | – |
| Medium-term notes | 13-Dec-19 | 185.0 | 185.0 | – |
| Medium-term notes | 13-Dec-22 | 25.0 | 25.0 | – |
| Convertible notes[C] | 11-Dec-14 | 200.0 | 200.0 | – |
| US medium-term notes | 22-Dec-15 to 22-Dec-17 | 172.2 | 172.2 | – |
| | | 958.7 | | 348.5 |
| Less: Short-term notes drawn[D] | | | | (25.0) |
| Total undrawn lines of credit | | | | 323.5 |

Notes:
(A) In accordance with AASB 139 Financial Instruments: Recognition and Measurement, interest bearing liabilities are carried at amortised cost, net of deferred borrowing costs of $5.8 million (June 2013: $6.2 million) and other adjustments to convertible notes of $6.7 million (June 2013: $9.3 million). However, for the purpose of this reconciliation, the actual drawn amounts are used and not adjusted to amortised cost and other adjustments to convertible notes.
(B) CPA has a same-day funding facility within the existing cash advance facility providing liquidity support for maturing short-term notes.
(C) The convertible notes are redeemable at the option of the noteholder on 11 December 2014. Unless previously redeemed or converted to ordinary units, the notes will be redeemed on the final maturity date of 11 December 2016.
(D) As CPA's same day funding facility was in place to provide liquidity support to maturing short-term notes, the capacity of the facilities is reduced by the total amount of short-term notes issued.

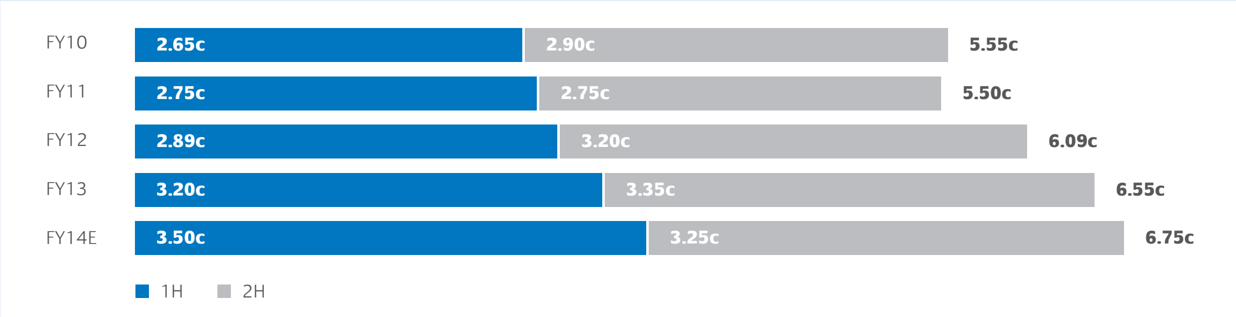
## 6.5 Distribution history and guidance

### Distribution guidance

On 5 December 2013, CPA announced an upgrade to its distribution guidance for the financial year ending 30 June 2014 to 6.75 cents per unit, and an expected distribution for the six months ended 31 December 2013 of 3.50 cents per CPA unit. This guidance assumes there is no unforeseen material deterioration in existing economic conditions. The guidance is based on the current external management model.

**Distribution history[A]**

CPA's FY14 distribution guidance of 6.75 cents continues CPA's consistent growth in distributions since FY11.




Note:
(A) FY14E based on company guidance provided, with 1H14 based on the estimated distribution announced on 5 December 2013.

## 6.6 Directors of CMIL

There currently are five Directors of CMIL, including three independent non-executive Directors:

### Richard Michael Haddock AM, Independent Non-executive Chairman

Mr Haddock has had a long career in financial services and was Deputy General Manager, Australia at BNP Paribas, Sydney from 1988 to 2001. Mr Haddock is a Fellow of the Australian Institute of Management, the Financial Services Institute of Australia and the Australian Institute of Company Directors.

Mr Haddock is the Chairman of CMIL; a director of CFX Co Limited; a director of Retirement Villages Group Fund; the honorary treasurer and a national director of Caritas Australia; the chairman of Catholic Care; the chairman of the Australian Catholic Superannuation and Retirement Fund; and chairman of St Vincent's Curran Foundation.

### James Frederick Kropp, Independent Non-executive Director

Mr Kropp was a senior audit and risk management consulting partner in the Sydney office of PricewaterhouseCoopers for over 18 years, retiring from the practice in December 1999. Mr Kropp is a Fellow of CPA Australia and was its National President in 1995–96.

Mr Kropp is Chairman of CMIL's Audit Committee. Mr Kropp is a Director of CMIL and a director of CFX Co Limited.

### Nancy Jane Milne OAM, Independent Non-executive Director

Ms Milne is a lawyer with over 25 years' experience, with primary areas of legal expertise in insurance and reinsurance, risk management, corporate governance and professional negligence. Ms Milne was at Clayton Utz as a partner until 2003 and as a consultant until 2012 and is a member of the Australian Institute of Company Directors.

Ms Milne is a Director of CMIL; a director of CFX Co Limited; a director of Australand Holdings Limited (and chair of the Risk and Compliance Committee, and a member of the Remuneration and Nominations Committee); chair of Securities Exchange Guarantee Corporation Limited; a director of Australian International Disputes Centre Limited; a director of Good Beginnings Australia; and a director of Crowe Horwath Australasia Ltd.

### Ross Edward Griffiths, Non-executive Director

Mr Griffiths is a Non-executive Director of CMIL. Mr Griffiths was appointed as CBA's Chief Credit Officer in 2008, having joined CBA in 1986.

Prior to this, Mr Griffiths was employed by Pricewaterhouse for over 15 years, during which time he was exposed to a wide variety of business enterprises. Mr Griffiths has a Bachelor of Business (Accounting) and a Masters of Business Administration. Mr Griffiths is a Fellow of the Institute of Chartered Accountants in Australia.

### Michael John Venter, Executive Director

Mr Venter is an Executive Director of CMIL. Mr Venter is the Chief Financial Officer of CBA's Wealth Management business. Mr Venter was previously the Executive General Manager of Group Finance for CBA. Mr Venter holds post graduate accounting qualifications and is a member of the Institute of Chartered Accountants.

## 6.7 Senior management of CPA

CMIL has appointed Colonial First State Property Limited (Colonial) as manager of CPA. The senior management team responsible for CPA is as follows:

### Angus McNaughton, Managing Director, Property Colonial First State Global Asset Management

Mr McNaughton currently oversees the performance and strategic direction of the funds and businesses managed within the property division of Colonial First State Global Asset Management, including listed property, wholesale property and retail asset management and development.

Mr McNaughton, who was appointed to his present role in November 2011, has more than 20 years' experience in the property sector. He has been employed in the broader Colonial First State Global Asset Management group for nearly 15 years in various roles, including Head of Wholesale Property and Chief Executive of the Manager of Kiwi Income Property Trust, which is New Zealand's largest diversified listed property trust.

### Charles Moore, Fund Manager for CPA

Mr Moore is responsible for all aspects of management of CPA, including strategic direction, performance, financial analysis, acquisitions and disposals.

Mr Moore has more than 20 years' property investment experience. Prior to joining Colonial First State Global Asset Management in March 2000, Mr Moore worked for Capital Finance in structured property finance. Mr Moore also worked for Jones Lang LaSalle across sales and leasing roles for five years. Mr Moore is a member of the International Capital Markets Division of the Property Council of Australia, the Property Industry Foundation Board of Advisers, and a graduate member of the Australian Institute of Company Directors.

## Michael Sheffield, Assistant Fund Manager for CPA

Mr Sheffield is involved in all aspects of the management of CPA including strategic direction, performance, financial analysis, acquisitions and disposals.

Mr Sheffield has more than 20 years' experience in property investment, accounting and finance. Prior to joining CPA in January 2010, Mr Sheffield held the role of Fund Manager for various wholesale property funds managed within Colonial First State Global Asset Management. He has also held various funds management and structured finance roles with Investa Property Group, CBA's Institutional Property area and Deutsche Asset Management.

Mr Sheffield is a Certified Practising Accountant, a member of the Capital Markets Committee for the Property Council of Australia, and a graduate member of the Institute of Company Directors.

## Tony Gilchrist, Head of Development, Property Colonial First State Global Asset Management

Mr Gilchrist oversees a team of 35 property development specialists in Australia and has overall responsibility for the property development business, which has a development pipeline in excess of $3 billion.

Mr Gilchrist has more than 30 years' experience in the Australasian property industry and has been working with the business for over six years, prior to which he worked at Stockland Property Group as the General Manager, Development and Acquisition. Mr Gilchrist has also worked at Lend Lease in various management roles. Mr Gilchrist is a graduate member of the Institute of Company Directors.

## Jon Lesquereux, Head of Office Asset Management Colonial First State Global Asset Management

Mr Lesquereux is responsible for office and industrial asset management for the CFSGAM property platform. Prior to this he was based in New Zealand with Kiwi Property Management Limited, where he was involved with asset management, development and transactions since 1997.

## Rowan Griffin, Head of Sustainability, Property Colonial First State Global Asset Management

Mr Griffin is responsible for setting the strategy and direction for the property business Responsible Property Investment (RPI) program which includes sustainability. The RPI strategy is implemented into all business processes and the management of each of the assets in CPA's property business.

Mr Griffin has more than 30 years of property experience, in fields of project and development management, investment, operations and general management, prior to his current role in sustainability.

## Penny Berger, Head of Investor Relations and Communications Colonial First State Global Asset Management

Ms Berger is responsible for investor relations, corporate affairs and internal communications within the property division of Colonial First State Global Asset Management. This includes the management of relationships and information flow to the investment community for the listed property funds: CFS Retail Property Trust Group and Commonwealth Property Office Fund.

Ms Berger has more than 20 years' global strategic communications and finance experience. Prior to joining Colonial First State Global Asset Management in July 2012, Ms Berger worked at Boral as the Group Communications and Investor Relations Manager. Ms Berger also held senior roles at CBA as Executive Manager, Investor Relations, and Cable and Wireless plc.

## 6.8 Recent ASX announcements

Since 20 August 2013 (being the date on which CPA released to the ASX its latest audited financial statements), CPA has made a number of public announcements and media releases which CPA considers may be material to the financial position and affairs of CPA. These announcements, together with other announcements relating to CPA that have been released on ASX's Market Announcements Platform since 20 August 2013, are listed in Appendix 3.

On 18 November 2013, CMIL announced to the ASX the completion of independent valuations of 16 of CPA's office assets resulting in a $60.5 million or 2.4% increase in book value as at 31 October 2013, resulting in CPA's NTA being $1.19.

On 11 December 2013, CMIL announced that a further three of CPA's office assets had been independently valued as at 31 December 2013, resulting in a $1.0 million or 0.2% increase on prior book value. There was no change to CPA's weighted average capitalisation rate of 7.3%, or estimated NTA of $1.19, since the 31 October 2013 valuations as noted above.

On 24 December 2013, CMIL announced to the ASX that it had lodged on that date a copy of its target's statement in response to the GPT Offer with GPT and ASIC, and it included a copy of that target's statement with the ASX announcement.

On 17 January 2014, CMIL announced to the ASX and to the SGX (on which exchange the Convertible Notes trade) that it will exercise the option under the terms of issue of the Convertible Notes to pay an amount in Australian Dollars equal to the 'Cash Settlement Amount' (as defined in the Convertible Note terms) to satisfy its obligation to convert Convertible Notes in respect of which a Conversion Notice (as defined in the Convertible Note terms) has been lodged during the Offer Period.

Section

# 7 Risk factors

In considering this Target's Statement and the DEXUS Offer, CPA unitholders should be aware that there are a number of risks which may affect the future operating and financial performance of CPA. Some of the risks can be adequately mitigated by the use of safeguards and appropriate systems but many are beyond the control of relevant funds, responsible entities and directors and cannot be mitigated.

The principal risks you should consider, when deciding whether to maintain your investment in CPA in the present circumstances, include the matters set out in Section 7.1 to 7.4 below.

Many of these risks currently exist in relation to your investment in CPA units.

If you accept the DEXUS Offer, part of the consideration you will receive is DEXUS securities. You will therefore be exposed to risks associated with DEXUS Property Group's business activities.

The principal risks you should consider, when deciding whether to accept the DEXUS Offer and become a DEXUS security holder, include the matters set out in Sections 7.2 to 7.4 below.

## 7.1 Risks relating to CPA

As a CPA unitholder, you are already exposed to certain general risks associated with your investment in CPA, including:

- (**Lease default, non-renewal and vacancy**) the risk of tenants defaulting on rental or other obligations under leases with CPA, and of CPA not being able to negotiate lease extensions with existing tenants at the end of the lease terms or securing replacement leases at equivalent rates, which may have material adverse impacts on the distributable income of CPA or the value of the relevant underlying property
- (**Funding risk**) the risk of not obtaining the necessary funding or refinancing of an existing arrangement, or a material increase in the cost of such funding, which may have a material adverse impact on CPA's performance and financial position
- (**Capital expenditure**) the risk of exposure to capital costs (including repairs) for the properties in which CPA has an interest
- (**Insurance risk**) the risk of failing to insure or underinsuring against events in respect of assets, contractors and service providers
- (**Environmental issues**) the risk of possible liability for the cost of removal or remediation of hazardous or toxic substances on, under, in or emanating from the properties in CPA's portfolio, and changes to environmental laws and regulations which may impact this risk profile
- (**Investment risk**) the risks associated with the office property sector and being a listed entity; CPA's unit price is also subject to risks relating to stock market volatility
- (**Force majeure risk**) the risks associated with events that are beyond the control of CPA, CMIL or any other party
- (**Economic and market conditions**) the risks relating to changes in general economic conditions such as interest rates, inflation, retail spending levels, white collar employment growth, consumer confidence levels and general market levels
- (**Interest rate risk**) the risk of fluctuations in interest rates, to the extent that they are not hedged, which may adversely impact the cost of debt and result in decreased earnings
- (**Currency risk**) the risk that fluctuations in currencies to which CPA has exposure, to the extent they are not hedged, which may adversely impact on the cost of debt and result in decreased earnings, and
- (**Changes in applicable law**) the risk of laws to which CPA and CMIL are subject changing over time.

In addition to the above, there are certain risks specific to CPA set out below which should be taken into account in considering whether to accept the DEXUS Offer or not.

## (a) Development pipeline

As at 30 September 2013, CPA had a significant pipeline of developments and refurbishments with a cost of approximately $323 million, with $250 million remaining to be spent, targeting on-completion yields ranging from 6.5% to 9%. For example, 5 Martin Place, Sydney[1], has a development cost of approximately $215 million (CPA's share), with approximately $145 million remaining to be spent, targeting an average yield on the first year income of approximately 7%. There is a risk that the development cost will be greater than estimated and that the yield will be lower. A tenant has been secured for over 44% of the office area to be created under this development. However, there is a risk that CPA will not be able to lease the remaining office or retail areas on terms consistent with achieving the targeted yield, or at all.

## (b) Retention of personnel

CPA's success depends in part on the ability of Colonial's executive officers, senior management, and employees to operate effectively, both individually and as a group.

Further, CPA's success largely depends on the highly qualified management and personnel available to manage its assets and business.

CMIL does not have contracts of service or employment with its key personnel.

Key personnel are employed by CBA. CBA, through its wholly owned subsidiary Colonial, will continue to manage the assets and business dealings of CPA while CMIL is the Responsible Entity of CPA.

On 18 December 2013 CMIL, in its capacity as Responsible Entity of CFS Retail Property Trust Group (CFX), announced to the ASX that it had entered into an agreement with CBA, amongst other things, to internalise the management of CFX (CFX Internalisation Proposal). In connection with this, it is proposed that Angus McNaughton will become the Chief Executive Officer of CFX and leave CBA. This would mean that he would no longer be a member of the senior management team responsible for managing CPA.

If the CFX Internalisation Proposal is approved by CFX securityholders and all conditions of that proposal are either satisfied or waived, it is expected that it will be implemented in March 2014. There is no certainty that the CFX Internalisation Proposal will proceed (or the timing for implementing that proposal if it proceeds).

However, DEXUS has stated in Section 7 of the DEXUS Bidder's Statement that if it is in a position to do so, it proposes to change the responsible entity of CPA so that the management of CPA's assets and business dealings will then be undertaken by DEXUS Funds Management Limited or another entity.

## (c) Change of Responsible Entity

If DEXUS replaces CMIL as the Responsible Entity of CPA, then:

i) an event of default will occur under the USPPs, and the holders of the USPPs may demand early repayment. For reference, the amount payable is estimated at approximately $184.7 million as at 15 January 2014 based on the AUD:USD exchange rate of 0.8955. This comprises the aggregate principal outstanding, accrued and unpaid interest, a make whole payment and a net payment under associated currency and interest rate derivatives

ii) an event of default will occur under the Convertible Notes, and the holders of the Convertible Notes may seek either the conversion of the notes to a specified number of CPA units in accordance with the note terms or early redemption of the notes (for their face value and accrued but unpaid interest until the date of redemption). Where a change in control of CPA occurs, there will also be an adjustment in the conversion price as prescribed in the terms of the Convertible Notes (which may lower the conversion price). In this regard it is to be noted that the DEXUS Offer extends to CPA units that are issued during the Offer Period upon the early conversion of the Convertible Notes

iii) in relation to certain assets of CPA that are co-owned, namely 180-222 Lonsdale Street, Melbourne, 2 Southbank Boulevard, Melbourne and 201-207 Kent Street, Sydney, the co-owner may require CPA to sell its interest in the property on the open market for the most appropriate terms available having regard to current market conditions

1) 50% owned by CPA.

iv) in respect of two other CPA assets that are co-owned, namely 54-58 Mounts Bay Road, Perth and 5 Martin Place, Sydney, the co-owner may activate pre-emptive rights requiring CMIL to offer its interest in the property to the co-owner at a price CMIL is willing to accept

v) rights of first refusal in respect of the following CPA assets will become exercisable by CBA as the tenant, to acquire the interest held by CPA in the relevant property:

 A) 150 George Street, Parramatta and 101 George Street, Parramatta, both wholly owned by CPA, where CBA (the lessee) may require the interest in the property to be offered at a price specified by the lessor (an entity acting for the ultimate beneficiary CPA) or, if this price is disputed by the lessee, for a price determined by a jointly appointed valuer

 B) 5 Martin Place, Sydney, co-owned with Cbus through the 120 Pitt Street Trust, where CBA (the lessee) may require the interest in the property to be offered at a price specified by the lessor (an entity acting for the ultimate beneficiaries CPA and Cbus) or, if this price is disputed by the lessee, for a price determined by a jointly appointed valuer, and

 C) the properties that are co-owned with DEXUS under the two Homebush Bay trusts, namely 2 and 4 Dawn Fraser Avenue, Sydney Olympic Park, where CBA (the sublessee) may require the interest in the property to be offered at a price which the sublessor (an entity acting for the ultimate beneficiaries CPA and DEXUS) is willing to accept or, if this price is disputed by the sublessee, for a price determined by a jointly appointed valuer

vi) the funds management agreement, under which CMIL (as the Responsible Entity of CPA) has appointed Colonial (a wholly owned subsidiary of CBA at the date of this Target's Statement) to be the manager of CPA, will terminate on the date when CMIL ceases to be the Responsible Entity of CPA and the various sub-delegations that operate while the funds management agreement is in effect will cease to operate

vii) property management in respect of CPA assets that is undertaken by Jones Lang LaSalle (NSW) Pty Limited pursuant to a managing agent agreement can be terminated upon reasonable notice being given by Colonial First State Management Pty Limited to Jones Lang LaSalle (NSW) Pty Limited. If this agreement terminates, then the associated alignment deed between the same parties also terminates

viii) under CPA's two banking facilities ($302 million and $200 million), an event of default and/or a review event occurs if there is a change in the responsible entity of CPA (where the new responsible entity is not a subsidiary of CBA). An event of default will allow each bank to accelerate the corresponding facility following the expiry of an applicable grace period, requiring repayment of the facility in total together with any accrued and unpaid interest and fees, and

ix) CPA is a party to ISDA agreements with various counterparties under which agreement a breach or an event of default or a termination event may result from the replacement of a third party for CMIL as the responsible entity of CPA, which may entitle the counterparty to terminate any related transactions that have been entered into under those agreements. Any such termination may result in the payment of an early termination amount by CMIL (as the Responsible Entity of CPA).

## (d) Change in control of CMIL

In the event there is to be a change in control of CMIL at any time when it remains the Responsible Entity of CPA, this event may have consequences for:

- the two banking facilities that are referred to in Section 7.1(c)(viii), as it would constitute an event of default or review event, which may allow each bank to accelerate the corresponding facility following the expiry of an applicable grace period, requiring the repayment of the facility in total together with any accrued and unpaid interest and fees, and
- the ISDA agreements entered into between CMIL (as the Responsible Entity of CPA) and various counterparties, as it may result in a breach, termination event or break date, which may entitle the counterparty to terminate any related transactions that have been entered into under those agreements. Any such event may result in the payment of an early termination amount by CMIL (as the Responsible Entity of CPA).

A change in ownership of CMIL that may occur as a result of the completion of the CFX Internalisation Proposal will not result in any change to CMIL's Australian financial services licence (AFSL) or its ability to meet its regulatory obligations as the holder of an AFSL.

As noted in Section 7.1(b) of this Target's Statement, on 18 December 2013, the CFX Internalisation Proposal was announced to the ASX. In the event that there is a change of control of CMIL resulting from the implementation of the CFX Internalisation Proposal, should that proposal proceed, while CMIL remains the Responsible Entity of CPA, CMIL is confident that:

i) the funds management and property management agreements referred to in Sections 7.1(c)(vi) and 7.1(c)(vii) will remain in place, and

ii) it will take steps to secure appropriate waivers from the banks in respect of the events of default to allow the banking facilities referred to above to remain in place or if waivers are not available to obtain replacement bank facilities. As part of the CFX Internalisation Proposal, CBA has agreed to provide all necessary consents or waivers for its $302 million CPA banking facility and ISDA agreements with CBA for a change in control of CMIL that results from implementation of the CFX Internalisation Proposal.

It is uncertain whether there will be a period after the change in control of CMIL resulting from the implementation of the CFX Internalisation Proposal (should it proceed) during which CMIL remains the Responsible Entity of CPA.

However, CMIL will carefully monitor the situation and will provide updates, as required, by a supplementary target's statement should there be any material developments in relation to this risk.

## (e) Geographical concentration risk

As at 31 October 2013, all of CPA's portfolio was located (by value) in Australia, with a 46% exposure to New South Wales, 31% exposure to Victoria, 4% exposure to Western Australia, 6% exposure to South Australia, 2% exposure to the Australian Capital Territory and 11% exposure to Queensland.

Any decline in office property values or any event or occurrence which has an effect on the office buildings in Australia, especially New South Wales or Victoria, may have a material adverse effect on the business, financial condition, results of operations and/or prospects of CPA.

## (f) Liquidity risk

If the Bidder acquires some but not all of the CPA units under the DEXUS Offer, the number of CPA units publicly traded could be significantly reduced. In addition, under item 9 of section 611 of the Corporations Act, the Bidder is entitled to acquire up to an additional 3% interest in CPA every six months without needing to make a further takeover offer. In light of these factors, there is a risk of CPA unitholders who do not accept the DEXUS Offer becoming minority unitholders in CPA with reduced unit trading liquidity.

This may result in downward pressure on the trading prices of CPA units and make it more difficult for CPA unitholders to sell their units.

## (g) Control by the Bidder

If the Bidder acquires some but not all of the CPA units under the DEXUS Offer (or acquires more CPA units pursuant to item 9 of section 611 of the Corporations Act) so that it has voting power in CPA exceeding 50%, DEXUS will be the majority CPA unitholder.

It will effectively control CPA, having an ability to remove and replace CMIL as Responsible Entity and having significant influence over the outcome of CPA unitholder resolutions. There are some restrictions on the Bidder voting its CPA units where it has an interest in the resolutions other than as a CPA unitholder. However, changes to the business of CPA which are initiated or influenced by the Bidder may result in CPA unitholders subsequently disposing of CPA units at a time when the position of CPA is less favourable than that prevailing at the date of this Target's Statement.

### (h) Delisting of CPA

If the number of CPA unitholders is less than that required by the ASX Listing Rules to maintain an ASX listing, then CMIL or the ASX may seek to have CPA removed from the official list of ASX. Further, the Bidder has stated in Section 7.3 of the DEXUS Bidder's Statement that it will review the ongoing suitability of CPA for listing on the ASX if it acquires at least 50.1% of CPA units. However, it currently intends that CPA continues to be listed on ASX while it meets the ASX requirements for maintaining a listing.

If CPA is removed from the official list of ASX, CPA units will not be able to be bought or sold on the ASX, thereby eroding liquidity of the CPA units which may impact on CPA's unit price.

## 7.2 Risks relating to DEXUS

Section 11 of the DEXUS Bidder's Statement sets out a number of risks and uncertainties, both specific to DEXUS and of a more general nature, which may affect the future operating and financial performance of DEXUS and the value of DEXUS securities. Set out below are the risks specific to DEXUS as referred to in Section 11.2 of the DEXUS Bidder's Statement. You should also consider the risks described in Sections 11.3 to 11.5 of the DEXUS Bidder's Statement in relation to the Combined Group where the DEXUS Offer is accepted and you may be exposed to risks common to CPA and DEXUS.

### (a) Development activities

DEXUS has a number of development projects as part of its property portfolio. The developments include the properties at King Square, Perth and Queen Street, Brisbane.

There is a risk that developers will not meet the targeted earnings, and cash-flows for these developments which may be impacted by a number of factors including construction costs, scheduled completion dates, assumed post completion occupancy, assumed rentals achieved and the ability of tenants to meet rental obligations.

For these developments, DEXUS has entered into fixed price construction contracts. Under the contracts, the contractors assume the financial risks relating to completion delays and cost overruns. DEXUS has also obtained performance guarantees from its contractors. However, there can be no assurance that DEXUS will not be adversely impacted by the failure of a contractor to deliver a development project as agreed. These developments also include a guarantee of rental income for either two or five years from their date of practical completion.

### (b) Availability of capital

Real estate investment and development is highly capital intensive. DEXUS's ability to raise funds in the future on favourable terms depends on a number of factors including general economic conditions, political, capital and credit market conditions and the reputation, performance and financial strength of DEXUS's business. Many of these factors are outside DEXUS's control and may increase the cost and availability of capital.

### (c) Impact of financing covenants

DEXUS's financiers require it to maintain certain gearing and other ratios under various debt covenants. In the event that these covenants are breached, financiers may seek to exercise enforcement rights under debt documentation.

No financiers' rights under DEXUS's current debt facilities are triggered as a result of adverse market capitalisation movements.

### (d) Impact of interest rates

DEXUS's interest cost on floating rate debt will increase if benchmark interest rates increase. This would reduce earnings and cash-flow available for distribution to security holders.

DEXUS manages its exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging instruments; however the impact of interest rate hedging may be negative, depending on the extent, timing or direction of movements in underlying rates.

### (e) Financial forecasts

There is a risk that the assumptions in the financial information in the DEXUS Bidder's Statement may not hold such that the forecast earnings and distributions differ.

### (f) Impact of factors affecting ordinary distributions

DEXUS's ability to pay distributions to its security holders is dependent upon underlying earnings and cash-flow generated by its business.

## 7.3 Risks relating to the Combined Group (if the Bidder acquires control of CPA)

In the circumstances where the Bidder acquires control of CPA, as stated in Sections 11.3, 11.5 and 8.4 of the DEXUS Bidder's Statement, there are certain specific and general risks relating to the Combined Group, including:

a) (**Returns from investments**) the risk of fluctuations in value, expectations of capital growth, and returns from DEXUS's and CPA's property assets, depending on property market and general economic conditions

b) (**Changing investor demand for property investments**) the risk of changing demand for property and listed property securities based on changing investor preferences

c) (**Asset and land values**) the risk of unanticipated events occurring which may affect the value of assets or development costs which may in turn affect the financial returns from property investment, projects and property-related businesses

d) (**Time delays**) the risk of delays in completion of projects, which may in turn result in loss of revenue, cost overruns, liquidated damages and termination of lease agreements and pre-sale agreements

e) (**Property liquidity**) the risk of exposure to suboptimal sale prices when certain property assets may be required to be disposed in light of adverse business conditions

f) (**Competition**) the risk of exposure to competition from other property groups active in Australia, which may result in loss of tenants to competitors, a reduction in rents, and an inability to secure new tenants resulting from oversupply of space

g) (**Counterparty/credit risk**) the risk that third parties may not be willing or able to perform their obligations

h) (**Fixed nature of costs**) the risk that the value of an asset will be adversely affected if income falls, due to the fixed nature of many costs associated with the ownership and management of property

i) (**Capital expenditure**) the risk of unforeseen capital expenditure requirements in order to maintain the quality of the buildings and tenants

j) (**Environmental matters**) the risk that environmental factors may result in project delays or additional expenditure (including due to remedial works and third party liability claims and/or environmental liabilities)

k) (**Regulatory issues and changes in law**) the risk that there may be changes in laws that have a materially adverse impact on financial performance

l) (**Insurance**) the risk of events that are uninsurable (eg nuclear, chemical or biological incidents) or where insurance is reduced (eg cyclones and earthquakes)

m) (**Government policy and taxation**) the risk that changes in relevant taxation laws, accounting standards, other legal, legislative or other administrative regimes, and government policies (including government fiscal, monetary and regulatory policies), may have an adverse effect on assets, operations and, ultimately, financial performance

n) (**Equity and credit market conditions**) the risk of factors that adversely impact equity and credit markets generally, such as investor sentiment and the demand for equities generally

o) (**Litigation and disputes**) the risk that material or costly disputes or litigation could adversely affect financial performance and security value

p) (**Occupational health and safety**) the risk that failure to comply with the necessary occupational health and safety legislative requirements in the jurisdictions in which the Combined Group operates could result in fines, penalties and compensation for damages, as well as reputational damage

q) (**Failure to meet distribution forecast**) Section 8.4 of the DEXUS Bidder's Statement sets out the Funds From Operations per DEXUS security guidance of the Combined Group on an annualised basis, with certain assumptions. You should note that the actual distribution for the six months ending 30 June 2014 may be less than 50% of the annualised forecast DEXUS distribution per security

r) (**Impairment of goodwill and other intangible assets**) the risk of changes to carrying amount of intangible assets of the Combined Group

s) (**Accounting policy revisions**) the risk that an application of DEXUS's accounting policies and methods to CPA may result in materially different outcomes, and

t) (**Other factors**) the risk of natural disasters, change or disruptions in political, regulatory, legal or economic conditions or to the national or international markets, including as a result of terrorist attacks or war.

Many of the above risks (and other general risks relating to investments in listed entities) may be present in your existing investment in CPA units.

## 7.4 Risks arising from the DEXUS Offer

There are certain risks arising from the DEXUS Offer which you should consider before deciding whether or not to accept the DEXUS Offer, which are set out in Sections 11.3 and 11.4 of the DEXUS Bidder's Statement. They include:

### (a) Availability of financing

As stated in Section 9 of the DEXUS Bidder's Statement, the Bidder has financing commitments in place to fund the acquisition of CPA. If any of this financing becomes unavailable for any reason and the Bidder cannot put in place alternative sources of financing under similar terms, the Bidder may not be able to complete the acquisition of CPA as planned.

### (b) Integration of CPA

There is a risk that implementation and other one-off costs of integration may be substantial or greater than reasonably anticipated. This could have a material adverse impact on the Combined Group's financial position and performance.

The transition of information systems and data, technical, financial and legal information and resources may not proceed smoothly and may divert management's attention from managing DEXUS's business. There is a risk that revenue streams or operations could be disrupted or that costs associated with the transition may be greater than expected, which could adversely affect the Combined Group's financial position and performance.

However, CBA has agreed to assist DEXUS Funds Management Limited in transitioning management of CPA to DEXUS. DEXUS Funds Management Limited has entered into the Facilitation Agreement which should assist DEXUS to mitigate this risk to some extent when the condition of that agreement is satisfied, namely that the combined voting power of DEXUS and CPPIB in CPA is equal to at least 50.1%.

### (c) Trigger of change of control or change of responsible entity provisions

There are certain change of control or change of responsible entity provisions in a number of CPA's material contracts which may be triggered as a result of the DEXUS Offer, giving rise to a material adverse impact on CPA. These contracts and their possible consequences are described in Section 7.1(c) above.

### (d) Issue of DEXUS securities as consideration

CPA unitholders are being offered DEXUS securities as consideration under the DEXUS Offer. As a result, the value of the consideration will fluctuate depending upon the market value of DEXUS securities. Accordingly, the market value of the DEXUS securities at the time you receive them, and therefore the implied value of the Offer Consideration, may vary significantly from their market value on the date of your acceptance of the DEXUS Offer, and the tax treatment of the DEXUS securities you receive may be different from your CPA units.

CPA

Commonwealth Property Office Fund

Section

# 8 Additional information

## 8.1 Issued capital

As at the date of this Target's Statement, CPA's issued capital consisted of 2,347,003,413 fully paid units.

On 11 December 2009, CPA executed a $200 million issuance of senior, unsecured convertible notes, redeemable at the option of the noteholder on 11 December 2014. Unless previously redeemed or converted to ordinary units, the notes will be redeemed on the final maturity date of 11 December 2016.

Section 1.1 and Appendix 1 of the DEXUS Bidder's Statement states that the DEXUS Offer is made in relation to CPA units that exist or will exist at 7.00pm, 20 December 2013 (Register Date) and extends to any CPA units that are issued between that date and the end of the Offer Period as a result of the conversion of, or exercise of rights attached to, other securities that are convertible into CPA units (including Convertible Notes) that are on issue at the Register Date.

As at 28 August 2013, the conversion price for the Convertible Notes was $1.1182 per unit. The price is subject to adjustments in accordance with the relevant Offering Circular.

## 8.2 Substantial holders

As at the date of this Target's Statement, based on the substantial unitholder notices provided to CPA, the substantial unitholders of CPA units are set out in the table below.

Disclosures of substantial holdings are a highly technical matter under the Corporations Act and the presentation of voting power under a substantial holding notice involves, in certain instances, double-counting (for example where two parties are associates). For this reason the final column of the table sets out the relevant interests in CPA units referable to each listed substantial holder without including the relevant interest in CPA units held by associates who are not within the same corporate group as the holder (Non-Intragroup Associates).

| Substantial unitholder | Number of ordinary units | Voting power at time of notice | Relevant interest (excluding Non-Intragroup Associates) |
|---|---|---|---|
| DEXUS Funds Management Limited (and its related bodies corporate) | 603,513,963[(A)] | 25.71%[(A)] | 15.45% |
| CBA (and its related bodies corporate) | 588,665,999[(B)] | 25.08% | 10.17% |
| Deutsche Bank AG (and its related bodies corporate) | 382,180,004 | 16.28% | 1.37% |
| Canada Pension Plan Investment Board | 362,693,677[(C)] | 15.45% | 0.54% |
| Mondrian Investment Partners Limited | 190,553,607 | 8.12% | 8.12% |
| GPT Management Holdings Limited (and its related bodies corporate) | 268,599,682 | 11.44% | 11.44% |
| National Australia Bank Limited (and its associated entities) | 124,671,617 | 5.31% | 5.31% |
| The Vanguard Group Inc. | 121,210,713 | 5.16% | 5.16% |

Notes:

(A) Interest in 350,000,000 ordinary units arises as a result of a share forward transaction between Deutsche Bank AG, Sydney Branch and DEXUS Funds Management Limited as responsible entity of the DEXUS Office Trust under which DEXUS will take physical delivery of 350,000,000 units on 24 January 2014 unless that obligation is further postponed (the Arrangement). An interest in 301,326 ordinary units arises from units in which the Bidder has a relevant interest as a result of acceptances of the DEXUS Offer. The remainder of DEXUS's voting power arises as a result of its association with CBA, pursuant to a Facilitation Agreement entered into between DEXUS Funds Management Limited and CBA as announced on ASX on 13 December 2013.

(B) Interest includes DEXUS's interest in 350,000,000 units under the Arrangement due to the association between CBA and DEXUS as described in note (A) above.

(C) Interest includes DEXUS's interest in 350,000,000 units under the Arrangement due to the association between CPPIB and DEXUS. An interest in 301,326 ordinary units arises from units in which the Bidder has a relevant interest as a result of acceptances of the DEXUS Offer.

## 8.3 Effect on CPA's material contracts

A change in the responsible entity of CPA to an entity nominated by the Bidder will have consequences that are summarised in Section 7.1(c).

A change in control of CMIL will have the consequences that are summarised in Section 7.1(d).

In addition, there are a number of agreements that are material to the management of some or all of CPA's assets that do not include provisions that are triggered by either a change in responsible entity of CPA, a change in control of CPA or a change in control of CMIL. These agreements are described below:

a) the property management agreement between CMIL (as the Responsible Entity of CPA) and Victoria Square QV Investments Pty Ltd, who jointly appoint Colonial First State Management Pty Limited (which is a wholly owned subsidiary of CBA at the date of this Target's Statement) to provide property management services in respect of the QV Complex

b) the development services agreement where CMIL (as the Responsible Entity of CPA) appoints Colonial First State Management Pty Limited to provide development services in respect of approximately 25 wholly owned or jointly owned CPA properties

c) agreement between CMIL (as the Responsible Entity of CPA) and Colonial First State Management Pty Limited for the provision of leasing services to CPA, although this agreement may be terminated immediately by either party giving written notice to the other party

d) the management agreement under which CFS Managed Property Limited (a wholly owned subsidiary of CBA as at the date of this Target's Statement) as trustee of the entities that hold CPA's interest in the properties referred to below, appoints Colonial First State Property Limited (a wholly owned subsidiary of CBA as at the date of this Target's Statement) to manage the CPA sub-trusts that own the following properties: 150 George Street Parramatta, NSW, 14 Lee Street, Sydney NSW, 56 Pitt Street, Sydney NSW and 60 Castlereagh Street, Sydney NSW, and

e) the agreement with Colonial First State Management Pty Limited and others for the development of 5 Martin Place, Sydney. Although a change in responsible entity of CPA may have the consequences referred to in 7.1(c)(iv), a change in responsible entity of CPA does not affect the rights of Colonial First State Management Pty Limited as co-developer with Cbus Property Pty Ltd in respect of this asset.

DEXUS has entered into an agreement with CBA for the provision of transitional facilitation services in relation to the management of CPA. CBA's obligations under the agreement are conditional on the voting power in CPA held by DEXUS, or CPPIB and DEXUS combined, increasing to 50.1%. As set out in Section 8.2, DEXUS has voting power in CPA of 25.71%, which includes CBA's 10.17% interest. For further information about this agreement, see Section 12.4 of the DEXUS Bidder's Statement.

If the conditions of that agreement are satisfied, it is likely that some risks or consequences for CPA which are referred to in Section 7.1 (where there is a change in responsible entity of CPA or a change in control of CMIL) and as set out above in this section will be mitigated.

GPT has not entered into a similar agreement with CBA.

## 8.4 Performance fees

CMIL, as Responsible Entity of CPA, is entitled under the CPA Constitution to a performance fee if CPA's total return (distributions and unit price performance) exceeds the benchmark provided by Standard & Poor's. CPA's performance fee benchmark prior to 1 July 2012 was the S&P ASX 200 Commercial Accumulation Index (excluding CPA). From 1 July 2012, CPA's performance fee benchmark was changed to the S&P ASX 200 Property Accumulation Index (excluding CPA). The new benchmark is comprised of 15 A-REITs, which compares to the previous benchmark, whose composition over time has reduced from seven A-REITs to one.

The performance fee is calculated and is payable in accordance with the CPA Constitution, if CMIL is entitled, each half-year at December and June. The performance fee rate is calculated as 5% of the first 1% of outperformance and 15% of outperformance in excess of 1%. This rate is multiplied by CPA's average gross asset value. The fee is capped at 0.15% of CPA's average gross asset value per six-month period.

As announced to the ASX on 16 January 2014, under the Constitution, CMIL is entitled to a performance fee in respect of the six-month period ended 31 December 2013, which must be paid within two months of that date, that is before 28 February 2014. The quantum of the performance fee for the six-month period ended 31 December 2013 is $5.74598 million. The performance fee will be paid to the Manager in accordance with the Management Agreement entered into between CMIL and the Manager.

As described in Section 8.3, DEXUS Funds Management Limited has entered into a Facilitation Agreement with CBA. This agreement provides that the Manager remains entitled to all fees for the management of CPA up to the date when DEXUS Funds Management Limited, or a member of the DEXUS group, becomes the responsible entity of CPA. However, CBA must procure that the Manager pay or transfer any performance fee it receives to the responsible entity of CPA to be held as an asset of CPA. This obligation is conditional on the Bidder having voting power in CPA of not less than 50.1% by the later of the end of the Offer Period and the date when DEXUS Funds Management Limited or a member of the DEXUS group becomes the responsible entity of CPA.

CMIL has determined that the performance fee for the six months ended 31 December 2013 will be paid out of retained earnings.

## 8.5 Consent to inclusion of a statement

Greenwoods & Freehills has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to the inclusion of the Taxation Report in Appendix 1 and statements based on the Taxation Report in the form and context in which the statements are included and to the inclusion of all references in this Target's Statement to those statements in the form and context in which they are included.

Grant Samuel has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to the inclusion of the Independent Expert's Report in Appendix 2 and statements based on the Independent Expert's Report in the form and context in which the statements are included and to the inclusion of all references in this Target's Statement to those statements in the form and context in which they are included.

## 8.6 Consent to be named

CBA has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent for the use of the Colonial First State Global Asset Management logo in this Target's Statement.

Ashurst Australia has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as the Australian legal adviser to CMIL.

UBS AG, Australia Branch, has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as the financial adviser to CMIL.

## 8.7 Disclaimer regarding named persons and statements made

Each person named in Sections 8.5 and 8.6 as having given their consent to the inclusion of a statement or being named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than those statements which have been included in this Target's Statement with the consent of that person, and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and any statements or report which have been included in this Target's Statement with the consent of that party.

ASIC has published various Class Orders that modify or exempt parties from compliance with the operation of various provisions of Chapter 6 of the Corporations Act. CPA has relied on that ASIC Class Order relief.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to ASX. Pursuant to this ASIC Class Order, the consent of persons to whom such statements are attributed is not required for the inclusion of these statements in this Target's Statement.

Any CPA unitholder who would like to receive a copy of any of those documents may make a request to obtain a copy during the Offer Period by contacting the CPA unitholder information line on 1800 500 710 (callers in Australia) or +61 1800 500 710 (callers outside Australia). CMIL will provide a copy of the document or part of the document within two Business Days of the request free of charge.

As permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person, or
- from a public official document or a published book, journal or comparable publication.

Pursuant to this ASIC Class Order, the consent of such persons to whom statements or documents are attributed is not required for the inclusion of those statements in this Target's Statement.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains unit price trading data sourced from IRESS without its consent.

## 8.8 Continuous disclosure

### (a) CPA continuous disclosure

CPA is a disclosing entity as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules.

Copies of documents filed with ASX may be obtained from the ASX website at asx.com.au and, for announcements made by CPA, CPA's website at cfsgam.com.au/cpa.

Copies of documents lodged with ASIC in relation to CPA may be obtained from, or inspected at, an ASIC office.

CPA unitholders may obtain a copy of:

- CPA's annual report
- CPA's Trust Deed, and
- any document lodged by CPA with ASX between the release of CPA's annual report and the date of this Target's Statement,

free of charge upon request by contacting the CPA unitholder information line on 1800 500 710 (callers in Australia) or +61 1800 500 710 (callers outside Australia) or from the ASX website at asx.com.au. CPA's annual report, Trust Deed and this Target's Statement are also available on CPA's website at cfsgam.com.au/cpa.

### (b) Parramatta Properties

On 11 December 2013 the Manager lodged with the ASX an announcement which included the statement that CPA had over 70,000 sqm of terms agreed for new and renewing leases including in respect of 101 and 150 George Street, Parramatta (Parramatta Properties). The negotiation of a binding lease in respect of these premises has not yet concluded.

As set out in Appendix 2 of the DEXUS Bidder's Statement, the DEXUS Offer includes Offer Conditions which will be triggered if CMIL enters into the new lease, a material amendment of an existing lease or related agreements (each a Relevant Agreement) in respect of the Parramatta Properties, being the conditions under the heading "No Material Acquisitions or Disposals".

On 24 December 2013, DEXUS announced to the ASX that the conditions referred to above do not apply to a Relevant Agreement, including a new lease or a variation of an existing lease, that is entered into in respect of the Parramatta Properties. This is set out in the DEXUS First Supplementary Bidder's Statement which has been mailed to you by DEXUS.

The DEXUS announcement followed discussions between CMIL and DEXUS about the conditions. As a result of those discussions, CMIL gave the Bidder the following undertakings that led to DEXUS making the announcement to the ASX that is referred to above:

- that CMIL will not enter into a Relevant Agreement in relation to the Parramatta Properties before 28 February 2014, and
- that CMIL will not enter into a Relevant Agreement in relation to the Parramatta Properties on any date that falls after 28 February 2014 but before 31 July 2014 whilst the Consortium has a relevant interest in CPA of 50.1% or greater and the DEXUS Offer is unconditional.

The Bidder acknowledges that, if it acquires a relevant interest in CPA of 50.1% or greater, it intends to procure a change of the responsible entity by the end of the Offer Period (or as soon as practicable thereafter) and it will take all actions necessary to do so.

CMIL shall not be bound by the above in the event that one of the following occurs:

a) a party other than the Consortium or the Bidder has a relevant interest in CPA of 50.1% or greater (and if acquired under a takeover bid, that bid is unconditional)
b) DEXUS initiates further negotiations with CBA in regards to Parramatta properties owned or managed by DEXUS
c) CMIL declares a competing proposal or offer superior to the DEXUS Offer and either:

i) the Bidder subsequently declares it will not increase its offer, or

ii) the Bidder has not matched or exceeded that proposal by the later of:

A) 15 February, or

B) 10 Business Days after CMIL's declaration is made, or

d) The Bidder or the Consortium accept into a competing proposal.

## 8.9 CBA announcements

In relation to the DEXUS Offer, CBA has made (jointly with DEXUS or separately) the following announcements on ASX.

On 13 December 2013, CBA announced (and separately the Consortium jointly announced) that DEXUS and CBA had entered into a Facilitation Agreement under which CBA agreed to provide facilitation services to DEXUS for $41 million when the off-market takeover offer proposed by DEXUS closes and the Consortium holds at least 50.1% voting power in CPA.

On 18 December 2013, CBA made an announcement on ASX stating that:

- CBA currently has a proprietary holding of approximately 183 million units, representing approximately 7.8%, in CPA, and
- CBA intends to accept the DEXUS Offer in respect of those proprietary holdings, and not accept the GPT Offer, provided that such acceptance would take the Consortium's relevant interests in CPA to at least 50.1% and the DEXUS Offer is otherwise unconditional, noting that CBA reserves its right not to do so.

## 8.10 No other material information

This Target's Statement is required to include all the information that CPA unitholders and their professional advisers would reasonably require to make an informed assessment whether to accept the DEXUS Offer, but:

- only to the extent to which it is reasonable for CPA unitholders and their professional advisers to expect to find this information in this Target's Statement, and
- only if the information is known to any Director.

The Independent Board Committee is of the opinion that the information that CPA unitholders and their professional advisers would reasonably require to make an informed assessment whether to accept the DEXUS Offer is:

a) the information contained in the DEXUS Bidder's Statement, DEXUS First Supplementary Bidder's Statement and DEXUS Second Supplementary Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement)

b) the information contained in CPA's releases to ASX, and in the documents lodged by CPA with ASIC, before the date of this Target's Statement, and

c) the information contained in this Target's Statement.

The Independent Board Committee has assumed, for the purposes of preparing this Target's Statement, that the information in the DEXUS Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the DEXUS Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Independent Board Committee has had regard to:

a) the nature of the CPA units

b) the matters that CPA unitholders may reasonably be expected to know

c) the fact that certain matters may reasonably be expected to be known to CPA unitholders' professional advisers, and

d) the time available to CPA to prepare this Target's Statement.

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CPA

Commonwealth Property Office Fund

Section

# 9 Glossary and interpretation

## 9.1 Definitions

**A-REIT** means Australian Real Estate Investment Trust.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

**ASX Listing Rules** means the official listing rules of the ASX.

**ASX Settlement Operating Rules** means the operating rules of ASX Settlement Pty Limited ABN 49 008 504 532.

**Bid Trust** means DEXUS Office Trust Australia.

**Bidder** means DEXUS Funds Management Limited ABN 24 060 920 783 in its capacity as trustee of DEXUS Office Trust Australia.

**Board** means the board of directors of CMIL.

**Business Day** means a day on which banks are open for general banking business in Sydney (not being a Saturday, Sunday or public holiday in that place).

**C$** means Canadian dollars.

**CBA** means Commonwealth Bank of Australia ABN 48 123 123 124.

**Cbus** means Cbus Property 5 Martin Place Pty Ltd ACN 152 430 898 as trustee for the Cbus 5 Martin Place Trust.

**CFX** means CFS Retail Property Trust 1 (ARSN 090 150 280) and CFS Retail Property Trust 2 (ARSN 156 647 853).

**CFX Internalisation Proposal** means a proposal to internalise the management of CFX, as announced by CMIL (as responsible entity of CFX) to the ASX on 18 December 2013.

**CHESS Holding** means a holding of CPA units on the CHESS Subregister of CPA.

**CHESS Subregister** has the meaning given in the ASX Settlement Operating Rules.

**CMIL** means Commonwealth Managed Investments Limited ABN 33 084 098 180 as Responsible Entity of Commonwealth Property Office Fund ARSN 086 029 736.

**Colonial** means Colonial First State Property Limited ACN 085 313 926.

**Combined Group** means DEXUS and its Related Bodies Corporate, including CPA if DEXUS acquires control of CPA.

**Consortium** means DEXUS and CPPIB.

**Constitution** or **Trust Deed** means the CPA consolidated trust deed as at 7 November 2011.

**Controlling Participant** has the meaning given in the ASX Settlement Operating Rules. Usually your Controlling Participant is a person, such as a broker, with whom you have a sponsorship agreement (within the meaning of the ASX Settlement Operating Rules).

**Convertible Notes** means the $200 million 5.25% convertible notes due 2016, convertible into CPA units.

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

**CPA** means Commonwealth Property Office Fund ARSN 086 029 736.

**CPA MOU** means the Memorandum of Understanding entered into by the Bidder, CPPIB and DEXUS which provides GPT FM as responsible entity of GWOF the opportunity to acquire certain CPA assets, as described in Sections 5.5 and 5.20.

**CPA unit** means a fully paid ordinary unit in CPA.

**CPA unitholder** means a holder of CPA units.

**CPPIB** means Canada Pension Plan Investment Board.

**DEXUS** means DEXUS Funds Management Limited ABN 24 060 920 783 as responsible entity of DEXUS Property Group.

**DEXUS Bidder's Statement** means the bidder's statement received by CPA from Bidder under Part 6.5 of the Corporations Act dated 19 December 2013.

**DEXUS First Supplementary Bidder's Statement** means the supplementary bidder's statement dated 6 January 2014 lodged by the Bidder.

**DEXUS Offer** means the off-market takeover bid by the Bidder for all CPA units, as described in the DEXUS Bidder's Statement, DEXUS First Supplementary Bidder's Statement and DEXUS Second Supplementary Bidder's Statement.

**DEXUS Property Group** means each of:

a) DEXUS Diversified Trust ARSN 089 324 541

b) DEXUS Industrial Trust ARSN 090 879 137

c) DEXUS Office Trust ARSN 090 768 531, and

d) DEXUS Operations Trust ARSN 110 521 223.

**DEXUS Second Supplementary Bidder's Statement** means the supplementary bidder's statement dated 10 January 2014 lodged by the Bidder.

**DEXUS security** means one fully paid ordinary unit in each of the trusts in the DEXUS Property Group, trading together as a stapled security.

**Directors** means the current directors of CMIL.

**Distributable Amount** has the meaning given by the Constitution.

**Distribution** means the estimated distribution of 3.5 cents per CPA unit that is expected to be paid on or around 28 February 2014 to CPA unitholders for CPA units registered in their name as at 31 December 2013.

**Distribution Period** has the meaning given by the Constitution.

**Facilitation Agreement** means the agreement described in Section 12.4 of the DEXUS Bidder's Statement and referred to in Section 5.4 of this Target's Statement.

**GPT** means GPT RE Limited ABN 27 107 426 504 as responsible entity of General Property Trust ARSN 090 110 357 and GPT Management Holdings Limited ABN 67 113 510 188.

**GPT Bidder's Statement** means the bidder's statement received by CPA from GPT under Part 6.5 of the Corporations Act dated 3 December 2013.

**GPT FM** means GPT Funds Management Limited ABN 74 115 026 545.

**GPT Offer** means the offer by GPT for CPA units, which is contained in Section 11 of the bidder's statement given by GPT.

**GPT security** means one fully paid ordinary unit in General Property Trust and one fully paid ordinary share in GPT Management Holdings Limited, trading together as a stapled security.

**GWOF** means GPT Wholesale Office Fund No. 1 ARSN 120 538 212.

**Independent Board Committee** means the committee comprising the Independent Directors that was given responsibility for considering a proposal by CBA to internalise management of CPA, and the GPT Offer.

**Independent Directors** means the Directors Richard Haddock AM, James Kropp and Nancy Milne OAM.

**Independent Expert** means Grant Samuel & Associates Pty Limited ACN 050 036 372.

**Independent Expert's Report** means the report produced by the Independent Expert set out in Appendix 2 of this Target's Statement.

**Ineligible Foreign Unitholder** means a CPA unitholder whose address as shown in the register of members of CPA is in a jurisdiction other than Australia or its external territories and New Zealand, unless the Bidder otherwise determines after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the DEXUS Offer to a CPA unitholder in the relevant jurisdiction and for DEXUS securities to be issued to such CPA unitholder on acceptance of the DEXUS Offer, and that it is not unlawful for such a CPA unitholder to accept the DEXUS Offer in such circumstances in the relevant jurisdiction.

**ISDA** means the ISDA Master Agreement or the ISDA 2002 Master Agreement (as applicable) published by the International Swaps and Derivatives Association, Inc., including any schedules attached thereto and any transactions evidenced by confirmations entered into pursuant to that agreement.

**Manager** means Colonial First State Property Limited ACN 085 313 926.

**Marketable Parcel** has the meaning given under the operating rules of the ASX.

**Notice of Status of Offer Conditions** means the Bidder's notice disclosing the status of the Offer Conditions which is required to be given by section 630(3) of the Corporations Act.

**NTA** means net tangible asset backing per CPA unit.

**Offer Conditions** means the conditions of the DEXUS Offer, as described in Appendix 2 of the DEXUS Bidder's Statement and summarised in Section 5.9 of this Target's Statement.

**Offer Consideration** means the two alternative options for the consideration offered under the DEXUS Offer which CPA unitholders may elect to receive, these being:

a) Option A: $0.7745 cash and 0.4516 DEXUS securities per CPA unit, or

b) Option B: $0.8496 cash and 0.3801 DEXUS securities per CPA unit,

as at the date of this Target's Statement.

**Offer Period** means the period during which the DEXUS Offer will remain open for acceptance in accordance with Section 3, Appendix 1 of the DEXUS Bidder's Statement.

**Offering Circular** means the offering circular dated 4 December 2009 in relation to the Convertible Notes.

**Option A** means $0.7745 cash and 0.4516 DEXUS securities per CPA unit under the DEXUS Offer.

**Option B** means $0.8496 cash and 0.3801 DEXUS securities per CPA unit under the DEXUS Offer.

**Parramatta Properties** means the CPA assets at 101 and 150 George Street, Parramatta.

**QV Complex** means the QV Complex bounded by Lonsdale, Swanston, Little Lonsdale and Russell Streets, Melbourne.

**Register Date** means 7.00pm, 20 December 2013.

**Related Body Corporate** has the meaning given in section 50 of the Corporations Act, interpreted so that the definition given to Subsidiary in this Target's Statement applies.

**SGX** means the Singapore Stock Exchange.

**Subsidiary** has the meaning given in section 9 of the Corporations Act, interpreted so that a trust may be a subsidiary, for the purposes of which a unit or other beneficial interest will be regarded as a share and a corporation or trust may be a subsidiary of a trust if it would have been a subsidiary if that trust were a corporation.

**Target's Statement** means this document (including any attachments), being the statement of CPA under Part 6.5 of the Corporations Act in respect of the DEXUS Offer.

**Taxation Report** means the report on taxation implications of the DEXUS Offer, prepared by Greenwoods & Freehills dated 17 January 2014, a copy of which is set out in Appendix 1.

**Unmarketable Parcel** means that number of DEXUS securities which is less than a Marketable Parcel (currently a parcel of less than $500) calculated based on the highest closing price of DEXUS securities on the ASX during the period from the date of the DEXUS Bidder's Statement until the earlier of the end of the Offer Period and five ASX trading days before the first day on which Bidder must provide the Offer Consideration under the DEXUS Offer.

**Unmarketable Parcel Unitholder** means a CPA unitholder who would be entitled to receive a total number of DEXUS securities as consideration under the DEXUS Offer which constitute an Unmarketable Parcel.

**USPPs** means the US$200 million private placement by CPA announced on 3 November 2005.

**VWAP** means volume weighted average price.

## 9.2 Interpretation

In this Target's Statement, unless the context requires otherwise:

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

b) words and phrases in this Target's Statement have the same meaning given to them (if any) in the Corporations Act

c) the singular includes the plural and vice versa

d) a gender includes all genders

e) a reference to a person includes a corporation, partnership, joint venture, association, unincorporated body or other body corporate and vice versa

f) if a word is defined, another part of speech has a corresponding meaning

g) a reference to a Section or Appendix is a reference to a section or appendix of this Target's Statement

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

i) unless expressly stated otherwise, a reference to time is a reference to Sydney time, and

j) unless expressly stated otherwise, a reference to dollars, $, A$ or AUD is a reference to the lawful currency of Australia.

Section

# 10 Authorisation

This Target's Statement is dated 17 January 2014 and has been approved by a resolution passed by the Directors of CMIL.

Signed for and on behalf of CMIL:

**Richard Haddock AM**
Chairman
Commonwealth Managed Investments Limited

CPA

Commonwealth Property Office Fund

Appendix

# 1

# Greenwoods & Freehills Taxation Report

Greenwoods & Freehills

The Board of Directors
Commonwealth Managed Investments
Limited as Responsible Entity for
Commonwealth Property Office Fund
Level 4, Tower 1
201 Sussex Street
SYDNEY NSW 2000

17 January 2014

Dear Directors

## Tax Implications of DEXUS Offer

### 1 Introduction

This letter provides a summary of the Australian income tax and GST consequences relating to the acceptance of the offer (**Offer**) by DEXUS Funds Management Limited in its capacity as trustee of DEXUS Office Trust Australia (**DEXUS**) to acquire all outstanding units in the Commonwealth Property Office Fund (**CPA**).

The information contained in this report is of a general nature only. It does not constitute tax advice and should not be relied upon as such. This report outlines the general Australian taxation implications for CPA unitholders (**Unitholders**) in respect of the Offer.

We have only dealt with the tax implications for resident and non-resident Unitholders who are individuals, complying superannuation entities and companies that hold their investments on capital account. We have not addressed the tax treatment for Unitholders who hold their investments on revenue account such as banks and other trading entities or non-resident Unitholders who hold CPA units through a permanent establishment in Australia.

**All Unitholders should seek independent professional advice on the consequences of their participation in the Offer, based on their particular circumstances. Unitholders who are not resident in Australia must obtain advice on the taxation implications arising in their local jurisdiction of the proposed transaction.**

The information contained in this section is based on the provisions of the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997, the A New Tax System (Goods and Services Tax) Act 1999 and related acts, regulations and Australian Taxation Office (**ATO**) rulings and determinations applicable as at the date of this letter.

### 2 Resident Unitholders who accept the Offer

### 2.1 Capital gains

At the time that Unitholders dispose of their CPA units, a CGT event will happen.

To the extent that the proceeds received by a Unitholder (cash and market value of DEXUS Property Group stapled securities) exceed the cost base that the Unitholder has in their CPA unit, a capital gain would prima facie arise.

Unitholders should be entitled to a CGT discount provided that they have held their CPA units for 12 months or more. Resident individuals and trusts are entitled to a 50%

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discount, resident complying superannuation entities are entitled to a 33 $^{1}/_{3}$% discount while companies and non-residents are not entitled to any discount.

To the extent that the proceeds received by a Unitholder (the combined value of cash and DEXUS Property Group stapled securities) are less that the reduced cost base that the Unitholder has in their CPA unit, a capital loss would arise.

It should be noted that the above implications will be the same regardless of whether a Unitholder chooses the Original DEXUS offer or the Alternative DEXUS offer. That is, under both options, the capital gain or capital loss will be calculated by reference to the cost base or reduced cost base of their units and the proceeds received (which will be equal to the cash and market value of DEXUS Property Group stapled securities)

**2.2 Rollover**

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

**2.3 December 2013 distribution**

The following comments have been prepared on the basis of the confirmation provided by DEXUS as described at section 5.21 of the Target's Statement.

CPA Unitholders who are registered on 31 December 2013 will receive an estimated distribution of 3.5 cents per unit in respect of the 6 months ending 31 December 2013 (**December Distribution**). The tax profile of the December Distribution will be advised to CPA Unitholders subsequent to 30 June 2014.

On 6 January 2014 DEXUS entered into a Memorandum of Understanding (**MOU**) with GPT Funds Management Limited in its capacity as trustee of GPT Wholesale Office Fund (**GWOF**) to sell two CPA properties to GWOF subject to DEXUS acquiring 90% or more of the units in CPA. In addition, the parties agreed that GWOF will have the option to acquire a further two CPA properties. The disposal of these properties is likely to give rise to a significant capital gain for CPA.

The taxation profile of distributions received by unitholders in a trust is calculated by reference to the taxation position of the trust for the full income year (i.e. for the 12 months to 30 June). Therefore, if the properties are sold by CPA before 30 June 2014, the tax profile of the December Distribution is likely to include a significant capital gains component, notwithstanding the fact that the properties will be sold subsequent to the December Distribution.

CPA Unitholders will be required to treat the tax components of the December Distribution in the same manner that the tax components of CPA's regular six monthly income distributions are treated.

**3 Non-resident Unitholders who accept the Offer**

**3.1 Capital gains**

The taxation consequences discussed in sections 2.1 and 2.2 above apply also to Unitholders that are non-residents.

However, any capital gain or loss that is made by a non-resident Unitholder on the disposal of CPA units should be disregarded provided that the CPA units are not "taxable Australian property".

A CPA unit will not be "taxable Australian property" if:

- the units have never been used by the Unitholder in carrying on a business through a permanent establishment in Australia;
- the Unitholder did not make an election to treat the units as taxable Australian property at the time they ceased to be an Australian resident (if the Unitholder was ever an Australian resident); and

- the interests do not pass the non-portfolio test just before the CGT event or throughout a 12 month period that began no earlier than 24 months before that time.

An interest held by an entity in another entity passes the non-portfolio interest test at a time if the sum of the "direct participation interests" held by the first entity and its associates in the other entity at that time is 10% or more.

To the extent that a CPA unit is "taxable Australian property" and a non-resident Unitholder makes a capital gain as a result of the disposal of the CPA unit, the Unitholder will not be entitled to a CGT discount.

### 3.2 December 2013 distribution

Unlike resident Unitholders who will be subject to tax on a portion of CPA's full year taxable income, a non-resident Unitholder will be liable to tax on a withholding basis calculated at the time of payment. The distribution in respect of the period ending 31 December 2013 is expected to be paid in February 2014. The amount from which withholding tax is required to be deducted will be determined based on the expected taxable income of CPA for the year ending 30 June 2014 and having regard to the known circumstances that exist at the time of payment.

## 4 GST

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

- The disposal of their CPA units to DEXUS will not be subject to GST as it will be either an input taxed supply (by resident Unitholders) or outside the scope of GST (for non-resident Unitholders); and
- The receipt of DEXUS stapled securities will not be subject to GST as it will be either an input taxed supply (to resident Unitholders) or a GST-free supply (to non-resident Unitholders).

Yours sincerely

Greenwoods + Freehills

**Greenwoods & Freehills Pty Limited**

page 3

CPA

Commonwealth Property Office Fund

Appendix

# 2 Independent Expert's Report

GRANT SAMUEL

GRANT SAMUEL & ASSOCIATES

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www.grantsamuel.com.au

17 January 2014

The Directors
Commonwealth Managed Investments Limited
as responsible entity for Commonwealth Property Office Fund
Level 4 Tower 1
201 Sussex Street
Sydney NSW 2000

Dear Directors

**DEXUS Offer**

## 1 Introduction

Commonwealth Property Office Fund ("CPA") is an externally managed office sector specific real estate investment trust ("REIT") listed on the Australian Securities Exchange ("ASX"). It is established by a constitution under which Commonwealth Managed Investments Limited ("CMIL") is appointed as responsible entity. CMIL is a wholly owned subsidiary of Colonial First State Property Limited, which is itself a wholly owned subsidiary of Commonwealth Bank of Australia ("CBA").

On 24 July 2013, CMIL announced that it had received a conditional, indicative and incomplete proposal from CBA to internalise the management of CPA ("the internalisation proposal"). CMIL established a sub-committee of independent directors to consider the internalisation proposal on behalf of CPA unitholders ("the independent directors"). Since that announcement CPA has been the subject of significant takeover activity involving its Australian REIT peers, DEXUS Property Group ("DEXUS")[1] and The GPT Group ("GPT")[2].

This corporate activity culminated in DEXUS announcing on 11 December 2013 that, in conjunction with Canada Pension Plan Investment Board ("CPPIB")[3] (together, the "Consortium"), it intended to make a conditional off-market takeover offer for all of the outstanding units in CPA ("DEXUS Offer"). The DEXUS Offer is being made by DEXUS Funds Management Limited as trustee for DEXUS Office Trust Australia, a wholesale unit trust in which DEXUS holds 50% of the units and CPPIB holds the other 50% ("Bid Trust")[4].

CPA unitholders can elect between two consideration alternatives under the DEXUS Offer as follows:

- **Original Consideration:**
  - 0.4516 DEXUS stapled securities for every CPA unit[5]; plus
  - $0.7745 cash for every CPA unit (less the amount of any distribution paid on a CPA unit other than the distribution for the six months ended 31 December 2013).

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1 DEXUS is an internally managed diversified REIT listed on the ASX with a market capitalisation of around $4.8 billion.

2 GPT is an internally managed diversified REIT listed on the ASX with a market capitalisation of around $6.2 billion.

3 CPPIB is an investment management organisation that invests the assets of the Canada Pension Plan not currently required to pay pension, disability and survivor benefits. At 30 September 2013 CPPIB had C$192.8 billion in assets under management.

4 DEXUS and CPPIB have entered or will enter into various arrangements governing Bid Trust. Some of these arrangements are dependent on the size of Bid Trust's holding of CPA units. Details of the Joint Bid Agreement (as amended) and Unitholders Agreement are set out in the Consortium Bidder's Statement. Bid Trust intends to enter into an Investment Management Agreement and Property Development and Management Agreement with DEXUS entities as soon as practical after it has acquired 100% of CPA.

5 CPA unitholders with registered addresses outside Australia (or its external territories) and New Zealand, unless DEXUS determines otherwise, ("ineligible foreign unitholders") or who would be entitled to receive a parcel of less than $500 of DEXUS securities ("unmarketable parcel securityholders") will not receive DEXUS stapled securities. Such unitholders will receive in cash the net proceeds (i.e. after brokerage and transaction costs) of the sale on the ASX of the DEXUS securities to which they would otherwise have been entitled. Fractional entitlements to DEXUS securities will be rounded down to the nearest whole number of DEXUS stapled securities.

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- **Alternative Consideration:**
  - 0.3801 DEXUS stapled securities for every CPA unit[5]; plus
  - $0.8496 cash for every CPA unit (less the amount of any distribution paid on a CPA unit other than the distribution for the six months ended 31 December 2013).

The DEXUS Offer is subject to a number of conditions which are set out in full in the Consortium Bidder's Statement[6]. In addition:

- CPA unitholders will be entitled to DEXUS distributions with a record date after the issue of DEXUS stapled securities under the DEXUS Offer;
- DEXUS has entered into a Facilitation Agreement with CBA under which CBA will, conditional on the Consortium holding voting power of at least 50.1% in CPA, receive a payment of $41 million for assisting DEXUS to assume the management of CPA;
- scrip-for-scrip rollover relief will not be available for CPA unitholders in respect of any capital gain in relation to the DEXUS Offer;
- in accordance with a memorandum of understanding entered into on 6 January 2014 ("MOU"), if the Consortium becomes entitled to proceed to compulsory acquisition of CPA[7], GPT Wholesale Office Fund ("GWOF"), an unlisted REIT managed by GPT, will be entitled to exercise call options to acquire each of four CPA properties for an aggregate price of $679 million. If GWOF does not exercise any of the call options, the Consortium may exercise a put option in relation to the relevant property; and
- CBA has announced its intention to accept the DEXUS Offer in respect of its 7.8% direct interest in CPA provided that such acceptance would take the Consortium's relevant interests in CPA to at least 50.1% and the DEXUS Offer is otherwise unconditional. However, CBA reserves its right not to do so.

The Consortium currently has a 15.45% relevant interest in CPA and DEXUS has voting power in CPA of 25.71%[8]. The DEXUS Offer is scheduled to close on 7 February 2014 (unless extended).

There is an existing takeover offer for CPA by GPT which was announced on 19 November 2013 ("GPT Offer"). Allowing for CPA's estimated distribution for the six months ended 31 December 2013 of 3.5 cents per unit, the consideration under the GPT Offer is 0.141 GPT stapled securities and $0.71825 cash for each CPA unit. GPT has announced that it will not increase the consideration under the GPT Offer and will not extend it beyond its scheduled close on 24 January 2014. On 24 December 2014, CMIL issued a Target's Statement in relation to the GPT Offer in which the independent directors recommended CPA unitholders not accept the GPT Offer as the implied value of the DEXUS Offer is superior to the GPT Offer. At the date of this report, the independent directors continue to recommend that CPA unitholders reject the GPT Offer.

Although there is no requirement for an independent expert's report, the independent directors of CMIL have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the DEXUS Offer is fair and reasonable and to state reasons for that opinion. A copy of the report is to accompany the Target's Statement to be despatched to unitholders by CPA in relation to the DEXUS Offer. This letter contains a summary of Grant Samuel's opinion and main conclusions.

6 In this report, the Bidder's Statement dated 19 December 2013, the Supplementary Bidder's Statement dated 6 January 2014 and the Second Supplementary Bidder's Statement dated 10 January 2014 issued by the Consortium and despatched to CPA unitholders are together referred to as "the Consortium Bidder's Statement".

7 If the bidder has a relevant interest in at least 90% (by number) of CPA units and has acquired at least 75% (by number) of the CPA units offered to be acquired under the offer.

8 Including DEXUS's 14.91% relevant interest under a forward contract entered into with Deutsche Bank AG on 25 July 2013, acceptances received under the DEXUS Offer (0.54%) and, as a result of entering into the Facilitation Agreement on 13 December 2013, CBA's relevant interest in CPA (10.26% including a 7.8% direct interest).

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## 2 Opinion

**In Grant Samuel's opinion, the DEXUS Offer is fair and reasonable, in the absence of a superior proposal.**

## 3 Key Conclusions

### 3.1 Fairness

REITs are commonly valued by reference to net asset values. For such entities, investment properties are generally carried on the balance sheet at market value and the appropriate valuation methodology is to aggregate the market value of the individual properties. Other assets or liabilities that are not carried at market value are adjusted to reflect market value.

Grant Samuel has estimated adjusted NTA for CPA to be $1.16-1.17 per unit (rounded to two decimal places). This estimate is based on CPA's unaudited NTA as at 31 October 2013 of $2,786.0 million ($1.19 per unit). Various adjustments have been made to derive adjusted NTA as at 31 December 2013 including a deduction for capitalised corporate overheads after allowing for a material amount of cost savings available to a range of acquirers of CPA. As adjusted NTA is based on estimates of the full underlying value of each property in the portfolio, it is already a "control" value for CPA. It is therefore not appropriate to add any additional "premium for control".

Grant Samuel has attributed a value to the consideration under the DEXUS Offer in the range $1.23-1.25 per CPA unit (rounded to two decimal places) based on a market value for DEXUS stapled securities in the range $1.00-1.05.

The value of the scrip component of the consideration will vary with movements in the DEXUS security price. Accordingly, until the stapled securities are issued under the DEXUS Offer, CPA unitholders who accept the DEXUS Offer are exposed to movements in the DEXUS security price. The actual value received could ultimately exceed, or be less than, $1.23-1.25 per CPA unit.

The value attributed to the consideration under the DEXUS Offer ($1.23-1.25 per CPA unit) exceeds Grant Samuel's estimate of adjusted NTA ($1.16-1.17 per CPA unit) and represents a premium of 5.1-7.8%. In Grant Samuel's opinion, this level of premium more than adequately compensates CPA unitholders for the unique attributes of the CPA property portfolio, particularly as:

- there is no material latent value upside in the property portfolio (i.e. property valuations are up to date and three is no major development pipeline);
- an adjustment has been made to NTA to allow for a material amount of cost savings available to a range of acquirers of CPA; and
- CPA is a passive property investor with no operating businesses.

Accordingly, in Grant Samuel's opinion, the DEXUS Offer is fair.

### 3.2 Reasonableness

As the DEXUS Offer is fair, it is also reasonable. In any event, there are a number of other factors that support the reasonableness of the DEXUS Offer and which CPA unitholders should consider in determining whether or not to accept the offer. In particular:

- the DEXUS Offer delivers a premium of around 12-15% to CPA unit prices prior to the announcement of the internalisation proposal. This premium is not insignificant given CPA is an externally managed passive investor in office property with no latent value upside in its property portfolio, no operating businesses and a high payout ratio;
- in the absence of the DEXUS Offer or a similar offer, it is likely that CPA units under current market conditions and its current ownership and operating structure would trade at prices below the value of the DEXUS Offer ($1.23-1.25 per unit). However, the unit price may not decline to the levels prevailing prior to the announcement of the internalisation proposal due to the increase in reported NTA per unit (from $1.15 at 30 June 2013 to $1.19 per unit); and

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- there is no minimum acceptance condition under the DEXUS Offer indicating that the Consortium is prepared to own less than 100% of CPA (and potentially less than 50%). If the DEXUS Offer becomes unconditional, but the Consortium acquires less than 90% of CPA's units, there are implications for remaining CPA unitholders including:
  - actual or effective control of CPA may pass;
  - change of responsible entity and change of control provisions in CPA's existing borrowings documentation, pre-emptive rights over certain co-owned properties and rights of first refusal under certain CBA property leases may be triggered which could result in increased gearing and costs;
  - depending on the ownership outcome under the DEXUS Offer:
    - the liquidity of the market for CPA units may be dramatically reduced and CPA may be removed from, or receive a reduced weighting in, key market indices. CPA's free float could reduce from around 80% (potentially substantially) and there would be considerable market uncertainty surrounding CPA. Consequently, CPA's unit price would come under substantial pressure; and
    - the prospects of receiving a fully priced offer in the future for their investment in CPA may be greatly reduced; and
  - if CPA is delisted from the ASX, remaining unitholders would hold unlisted units reducing their ability to realise value.

### 3.3 Prospect of a Superior Alternative Proposal

Although the GPT Offer is "live" and open for acceptance, it has been declared final and will close on 24 January 2014. Furthermore, Grant Samuel has attributed a value to the consideration under the GPT Offer in the range $1.21-1.24 per CPA unit (rounded to two decimal places) based on a market value for GPT stapled securities in the range $3.50-3.70. As this value range is less than the value attributed to the consideration under the DEXUS Offer ($1.23-1.25 per CPA unit), the GPT Offer has been assessed as inferior in value to the DEXUS Offer.

It would be open to unitholders to reject the DEXUS Offer in anticipation of a higher offer from the Consortium or GPT. However, there is no evidence that either party would be prepared to pay a higher price, particularly in light of the competitive bidding process that has taken place over the last three months. In any event, actual or effective control of CPA may pass under the DEXUS Offer.

There has been ample opportunity for an interested party other than DEXUS or GPT to make a competing offer for CPA. No such offer has been made at the date of this report but the opportunity to do so remains during the offer period (currently until 7 February 2014).

## 4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual CPA unitholders. Accordingly, before acting in relation to their investment, unitholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Unitholders should read the Consortium Bidder's Statement and the Target's Statement issued by CMIL in relation to the DEXUS Offer.

Grant Samuel has not been engaged to provide a recommendation to unitholders in relation to the DEXUS Offer, the responsibility for which lies with the directors of CMIL. In any event, the decision whether to accept or reject the DEXUS Offer is a matter for individual unitholders based on each unitholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from unitholder to unitholder. If in any doubt as to the action they should take in relation to the DEXUS Offer, unitholders should consult their own professional adviser.

GRANT SAMUEL

Similarly, it is a matter for individual unitholders as to whether to buy, hold or sell securities in CPA or DEXUS. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to accept or reject the DEXUS Offer. Unitholders should consult their own professional adviser in this regard.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
**GRANT SAMUEL & ASSOCIATES PTY LIMITED**

Grant Samuel & Associates

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CPA

Commonwealth Property Office Fund

# Financial Services Guide
# and
# Independent Expert's Report
# in relation to the takeover offer by
# DEXUS Property Group
# and
# Canada Pension Plan Investment Board

**Grant Samuel & Associates Pty Limited**
**(ABN 28 050 036 372)**

**17 January 2014**

GRANT SAMUEL

GRANT SAMUEL & ASSOCIATES

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## Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Commonwealth Managed Investments Limited as responsible entity for Commonwealth Property Office Fund in relation to a takeover offer by DEXUS Property Group and Canada Pension Plan Investment Board ("the CPA Report"), Grant Samuel will receive a fixed fee of $400,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 8.3 of the CPA Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the CPA Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission on 30 March 2011. The following information in relation to the independence of Grant Samuel is stated in Section 8.3 of the CPA Report:

> *"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with CMIL, CPA, CBA, GPT, DEXUS or CPPIB or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the DEXUS Offer. Grant Samuel advises that:*
>
> - *Mr John Conde AO, a non-executive director of DEXUS, is a member of the Grant Samuel Corporate Finance Advisory Board. He is not involved in the day to day operations of Grant Samuel;*
> - *in July 2013 Grant Samuel was retained by a subsidiary of GPT to review its forecasts and provide advice as to potential value. The assignment was completed in August 2013 and Grant Samuel received a fee of $35,000; and*
> - *in September 2013 Grant Samuel was engaged by CMIL as responsible entity for CFS Retail Property Trust Group ("CFX") to prepare an independent expert's report if an agreement was reached with CBA in relation to internalisation of the management of CFX and the acquisition of the wholesale funds management and integrated retail property management and development business of Colonial First State Global Asset Management.*
>
> *In September 2013, Grant Samuel was engaged by CMIL as responsible entity for CPA to prepare an independent expert's report if an agreement was reached with CBA in relation to internalisation of CPA's management. Grant Samuel commenced analysis for a report in relation to the internalisation proposal in October 2013. Following announcement of the Consortium Proposal on 11 November 2013, CMIL requested Grant Samuel redirect its analysis to a report on a control transaction involving CPA. This work did not involve Grant Samuel participating in the setting the terms of, or any negotiations leading to, the DEXUS Offer.*
>
> Grant Samuel had no part in the formulation of the DEXUS Offer. Its only role has been the preparation of this report.
>
> *Grant Samuel will receive a fixed fee of $400,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the DEXUS Offer. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.*
>
> *Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011."*

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, No. 11929. If you have any concerns regarding the CPA Report, please contact the Compliance Officer in writing at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. If you are not satisfied with how we respond, you may contact the Financial Ombudsman Service at GPO Box 3 Melbourne VIC 3001 or 1300 780 808. This service is provided free of charge.

Grant Samuel holds professional indemnity insurance which satisfies the compensation requirements of the Corporations Act, 2001.

Grant Samuel is only responsible for the CPA Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
ABN 28 050 036 372 AFS LICENCE NO 240985

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## 1 Terms of the Offer

***Background***

Commonwealth Property Office Fund ("CPA") is an externally managed office sector specific real estate investment trust ("REIT") listed on the Australian Securities Exchange ("ASX"). It is established by a constitution under which Commonwealth Managed Investments Limited ("CMIL") is appointed as responsible entity. CMIL is a wholly owned subsidiary of Colonial First State Property Limited ("CFSPL"), which is itself a wholly owned subsidiary of Commonwealth Bank of Australia ("CBA").

On 24 July 2013, CMIL announced that it had received a conditional, indicative and incomplete proposal from CBA to internalise the management of CPA ("the internalisation proposal"). CMIL established a sub-committee of independent directors to consider the internalisation proposal on behalf of CPA unitholders ("the independent directors"). Since that announcement CPA has been the subject of significant corporate activity as follows:

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| 25 July 2013 | DEXUS Property Group ("DEXUS")[1] announced that it had entered into a forward contract with Deutsche Bank AG which provided it with an enforceable right to acquire 350 million units in CPA (a 14.91% interest) at a price of $1.1334 per unit (subject to adjustment). |
| 11 October 2013 | DEXUS announced that, in conjunction with Canada Pension Plan Investment Board ("CPPIB")[2] (together, the "Consortium"), it had made an indicative, non-binding proposal to CMIL to acquire all of the issued units in CPA (other than those to which DEXUS was already entitled) by way of an informal trust scheme. Under this proposal, CPA unitholders would receive $0.68 in cash and 0.4516 DEXUS stapled securities for every CPA unit. DEXUS also announced that it had made an indicative and non-binding proposal to CBA to make a cash payment for facilitating the Consortium's acquisition of CPA and transitioning its management to DEXUS. |
| 14 October 2013 | CMIL announced that the proposal from the Consortium did not provide a compelling value proposition for CPA unitholders and it would not be progressed. |
| 11 November 2013 | CMIL announced that it had received a revised proposal from the Consortium on terms that its independent board committee intended to recommend subject to an independent expert concluding that the revised proposal is in the best interests of CPA unitholders and no superior proposal emerging ("Consortium Proposal"). Under the Consortium Proposal, CPA unitholders would receive a cash payment equal to $0.71 plus an amount equivalent to 75% of funds from operations ("FFO") per CPA unit for the period 1 January 2014 to implementation date and 0.4516 DEXUS stapled securities for every CPA unit. CMIL entered into an agreement granting the Consortium a four week period to conduct due diligence on an exclusive basis and agreed to a number of deal protections in favour of the Consortium ("Process Agreement"). On the same day, DEXUS announced that it had agreed indicative terms with CBA in relation to a $41 million facilitation payment, due diligence and exclusivity arrangements until 24 December 2013 ("Ancillary Proposal"). |
| 19 November 2013 | On 19 November 2013, The GPT Group ("GPT")[3] announced its intention to make a conditional off-market takeover offer for all of the outstanding units in CPA ("GPT Offer"). Under the GPT Offer, CPA unitholders would receive $0.75325 cash (reduced by the amount of any distribution paid following the date of the announcement) and 0.141 GPT stapled securities for every CPA unit. GPT also announced that it had entered into pre-bid agreements in relation to units representing 6.5% of CPA and, if the compulsory acquisition threshold was |

[1] DEXUS is an internally managed diversified REIT listed on the ASX with a market capitalisation of around $4.8 billion.

[2] CPPIB is an investment management organisation that invests the assets of the Canada Pension Plan not currently required to pay pension, disability and survivor benefits. At 30 September 2013 CPPIB had C$192.8 billion in assets under management.

[3] GPT is an internally managed diversified REIT listed on the ASX with a market capitalisation of around $6.2 billion.

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| | achieved[4], GPT Wholesale Office Fund ("GWOF"), an unlisted REIT managed by GPT, had committed to purchase CPA assets valued at $1.1 billion. In accordance with the terms of the Process Agreement, CMIL gave notice to the Consortium of the GPT Offer. |
| 21 November 2013 | DEXUS announced that it intended to take physical delivery of the CPA units under the forward contract with Deutsche Bank AG (at a time to be determined), not accept the GPT Offer (i.e. GPT would not be able to achieve the compulsory acquisition threshold) and, if a subsidiary of GPT becomes responsible entity for CPA, vote against the related party divestment of assets to GWOF. |
| 25 November 2013 | CMIL announced that it had terminated the Process Agreement as the Consortium had not matched the GPT Offer but that it had agreed that the Consortium could continue to undertake due diligence (on a non-exclusive basis) until 9 December 2013. |
| 11 December 2013 | DEXUS announced that the Consortium intended to make a conditional off-market takeover offer for all of the outstanding units in CPA ("DEXUS Offer"). Under the DEXUS Offer, CPA unitholders would receive $0.7745 cash and 0.4516 DEXUS stapled securities for every CPA unit. DEXUS also announced that, although DEXUS intended to continue to engage with CBA, the Ancillary Proposal had been terminated and it would exercise its right to take physical delivery of 350 million CPA units under the forward contract with Deutsche Bank AG on 3 January 2014, unless the obligation is postponed. |
| 13 December 2013 | DEXUS announced that it had entered into a Facilitation Agreement with CBA under which CBA would, conditional on the Consortium holding voting power of at least 50.1% in CPA, provide facilitation services to transition the management of CPA and other related matters for $41 million on the later of the date the DEXUS Offer closes and the date on which a member of DEXUS becomes responsible entity of CPA. |
| 18 December 2013 | CBA announced its intention to accept the DEXUS Offer in respect of its 7.8% direct interest in CPA (and not accept the GPT Offer) provided that such acceptance would take the Consortium's relevant interests in CPA to at least 50.1% and the DEXUS Offer is otherwise unconditional. However, CBA reserved its right not to do so. |
| 19 December 2013 | The Bidder's Statement issued by GPT dated 3 December 2013 and a Supplementary Bidder's Statement dated 18 December 2013 (together referred to in this report as "the GPT Bidder's Statement") were despatched to CPA unitholders. At the date of the GPT Bidder's Statement, GPT had a 7.97% relevant interest in CPA[5]. |
| 24 December 2013 | CMIL issued a Target's Statement in relation to the GPT Offer in which the independent directors recommended CPA unitholders not accept the GPT Offer on the basis that the implied value of the DEXUS Offer is superior to the GPT Offer. |
| 6 January 2014 | The Bidder's Statement issued by the Consortium dated 19 December 2013 and a Supplementary Bidder's Statement dated 6 January 2014 were despatched to CPA unitholders. At that date the Consortium had a 14.91% relevant interest in CPA and DEXUS had voting power in CPA of 25.17%. |
| 6 January 2014 | DEXUS announced that the Consortium had entered into a binding memorandum of understanding with GWOF in relation to the sale of four CPA's assets for $679 million, with GWOF being able to acquire all or any of these assets ("MOU")[6]. The MOU sets out the process by which the parties will negotiate and enter into formal option deeds for each of the properties. As a consequence of these asset sales, the Consortium has decided to vary the DEXUS Offer to give the CPA unitholders the opportunity to elect to receive an alternative consideration with a |

4 If the bidder has a relevant interest in at least 90% (by number) of CPA units and has acquired at least 75% (by number) of the CPA units offered to be acquired under the offer.

5 At the date of this report, GPT has a relevant interest in CPA of 11.44% as a consequence of acceptances under the GPT Offer.

6 DEXUS also noted that CPPIB had entered into a separate memorandum of understanding in relation to the sale of a 50% interest in the Northland Shopping Centre to GPT Wholesale Shopping Fund No.1.

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| | higher proportion of cash (i.e. $0.8496 cash and 0.3801 DEXUS stapled securities for every CPA unit). |
| 10 January 2014 | A notice of variation and a Second Supplementary Bidder's Statement in relation to the DEXUS Offer was provided to the ASX. |
| 14 January 2014 | GPT announced that it would not increase the consideration under the GPT Offer nor extend it beyond 24 January 2014. As a consequence, the obligations of certain CPA unitholders under pre-bid agreements are not enforceable by GPT. |

Although the GPT Offer has been determined by the independent directors of CMIL to be inferior to the DEXUS Offer, it is open for acceptance[7]. However, GPT has declared the offer final and will not extend it beyond 24 January 2014. Consequently, although the GPT Offer is "live" at the date of this report, it will close on 24 January 2014 and should not be considered an alternative to the DEXUS Offer (see Section 7 of this report).

***DEXUS Offer***

The DEXUS Offer is being made by DEXUS Funds Management Limited as trustee for DEXUS Office Trust Australia, a wholesale unit trust in which DEXUS holds 50% of the units and CPPIB holds the other 50%[8] ("Bid Trust").

CPA unitholders can elect between two consideration alternatives under the DEXUS Offer as follows:

- **Original Consideration:**
  - 0.4516 DEXUS stapled securities for every CPA unit[9]; plus
  - $0.7745 cash for every CPA unit (less the amount of any distribution paid on a CPA unit other than the distribution for the six months ended 31 December 2013).
- **Alternative Consideration:**
  - 0.3801 DEXUS stapled securities for every CPA unit[9]; plus
  - $0.8496 cash for every CPA unit (less the amount of any distribution paid on a CPA unit other than the distribution for the six months ended 31 December 2013).

The DEXUS Offer is subject to a number of conditions which are set out in full in the Consortium Bidder's Statement[10]. In summary, they are:

- that before the end of the offer period[11]:
  - no regulatory actions are taken that restrain, prohibit or impede the DEXUS Offer;
  - no material acquisitions, disposals or new commitments by CPA for an amount (alternatively, in the case of disposals, book value) in excess of $50 million or no new related party transaction or material variation to an existing arrangement with a related party by CPA ("No Material Acquisitions or Disposals Condition");
  - CMIL does not implement any transaction by which the management of CPA is internalised or a change of control does not occur in respect of CMIL; and
  - no specified prescribed occurrences occur; and

7 The GPT Offer is currently scheduled to close on 24 January 2014.

8 DEXUS and CPPIB have entered or will enter into various joint venture arrangements governing Bid Trust. Some of these arrangements are dependent on the size of Bid Trust's holding of CPA units. Details of the Joint Bid Agreement (as amended) and Unitholders Agreement are set out in the Consortium Bidder's Statement. Bid Trust intends to enter into an Investment Management Agreement and a Property Development and Management Agreement with DEXUS entities as soon as it has acquired 100% of CPA.

9 CPA unitholders with registered addresses outside Australia (or its external territories) and New Zealand, unless DEXUS determines otherwise, ("ineligible foreign unitholders") or who would be entitled to receive a parcel of less than $500 of DEXUS securities ("unmarketable parcel securityholders") will not receive DEXUS stapled securities. Such unitholders will receive in cash the net proceeds (i.e. after brokerage and transaction costs) of the sale on the ASX of the DEXUS securities to which they would otherwise have been entitled. Fractional entitlements to DEXUS securities will be rounded down to the nearest whole number of DEXUS stapled securities.

10 The Bidder's Statement dated 19 December 2013, the Supplementary Bidder's Statement dated 6 January 2014 and the Second Supplementary Bidder's Statement dated 10 January 2014 issued by the Consortium are together in this report referred to as "the Consortium Bidder's Statement".

11 The DEXUS Offer is currently scheduled to close on 7 February 2014, unless extended.

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- on or before CMIL issues the Target's Statement in relation to the DEXUS Offer, it makes a public and unqualified statement that it will exercise its option under the terms of the CPA Convertible Notes to pay an amount equal to the relevant "Cash Settlement Amount" (as defined) to satisfy its obligation to convert convertible notes for which a conversion notice has been lodged during the offer period.

In addition, the Consortium has advised that:

- CPA unitholders will be entitled to DEXUS distributions with a record date after issue of DEXUS stapled securities under the DEXUS Offer;
- DEXUS has entered into a Facilitation Agreement with CBA under which CBA will, conditional on the Consortium holding voting power of at least 50.1% in CPA, receive a payment of $41 million for assisting DEXUS to assume the management of CPA; and
- scrip-for-scrip rollover relief will not be available for CPA unitholders in respect of any capital gain in relation to the DEXUS Offer;
- if the Consortium becomes entitled to proceed to compulsory acquisition[12] of CPA, GWOF will be entitled to exercise call options to acquire each of four CPA properties for an aggregate price of $679 million[13]. If GWOF does not exercise any of the call options, the Consortium may exercise a put option in relation to the relevant property. The properties the subject of the option deeds are:

| CPA Assets to be sold to GWOF | | |
|---|---|---|
| **Property** | **CPA Ownership** | **Sale Price ($ million)** |
| 750 Collins Street, Melbourne | 100% | 249.5 |
| 2 Southbank Boulevard, Melbourne | 50% | 196.7 |
| 10 Shelley Street, Sydney | 50% | 130.6 |
| 655 Collins Street, Melbourne | 100% | 102.2 |
| **Total** | | **679.0** |

Source: Consortium

The option deed in relation to a property may be terminated by either party if an option is not exercised by 30 September 2014. It will also terminate if GWOF has not obtained a statement of no objection to the acquisition of the relevant property under the Foreign Acquisitions and Takeovers Act, 1975 (Cth) by 30 June 2014.

At the date of this report, DEXUS has advised that it will not rely on the No Material Acquisitions or Disposals Condition in relation to any new lease, variation of existing lease or related agreement entered into by CMIL as responsible entity of CPA over the properties at 101 and 150 George Street, Parramatta provided CMIL does not enter into such an agreement before 28 February 2014 or in the period from 28 February 2014 to 31 July 2014 (while DEXUS has a relevant interest in CPA of 50.1% or more and the DEXUS Offer is unconditional). However, in certain circumstances, CMIL will not be bound by this undertaking.

12 If the bidder has a relevant interest in at least 90% (by number) of CPA units and has acquired at least 75% (by number) of the CPA units offered to be acquired under the offer.

13 At 31 October 2013, CPA's aggregate book value for these properties was $659 million.

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## 2 Scope of the Report

### 2.1 Purpose of the Report

Section 640 of the Corporations Act 2001 ("Corporations Act") states that a Target's Statement made in response to a takeover offer for securities in an Australian listed entity must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% of more; or
- a director of the bidder is also a director of the target.

Although there is no requirement in the present circumstances for an independent expert's report pursuant to the Corporations Act or the ASX Listing Rules, the independent directors of CMIL have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the DEXUS Offer is fair and reasonable and to state reasons for that opinion. A copy of the report is to accompany the Target's Statement to be despatched to unitholders by CPA in relation to the DEXUS Offer.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual CPA unitholders. Accordingly, before acting in relation to their investment, unitholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Unitholders should read the Consortium Bidder's Statement and the Target's Statement issued by CMIL in relation to the DEXUS Offer.

Whether or not to accept the DEXUS Offer is a matter for individual unitholders based on their views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Unitholders who are in doubt as to the action they should take in relation to the DEXUS Offer should consult their own professional adviser.

Similarly, it is a matter for individual unitholders as to whether to buy, hold or sell securities in CPA or DEXUS. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to accept or reject the DEXUS Offer. Unitholders should consult their own professional adviser in this regard

### 2.2 Basis of Evaluation

The term "fair and reasonable" has no legal definition although over time a commonly accepted interpretation has evolved. However, the Australian Securities & Investments Commission ("ASIC") has issued Regulatory Guide 111 which establishes guidelines in respect of independent expert's reports. ASIC Regulatory Guide 111 differentiates between the analysis required for control transactions and other transactions. In the context of control transactions (whether by takeover bid, by scheme of arrangement, by the issue of securities or by selective capital reduction or buyback), the expert is required to distinguish between "fair" and "reasonable".

Fairness involves a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. For this comparison, value is determined assuming 100% ownership of the target and a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Reasonableness involves an analysis of other factors that securityholders might consider prior to accepting an offer such as:

- the offeror's existing securityholding;
- other significant securityholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target's securities.

An offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

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Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair". A fair offer is one that reflects the full market value of an entity's businesses and assets. An offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if securityholders are otherwise unlikely in the foreseeable future to realise an amount for their securities in excess of the offer price. This is commonly the case where the bidder already controls the target company. In that situation the minority securityholders have little prospect of receiving full value from a third party offeror unless the controlling securityholder is prepared to sell its controlling securityholding.

Grant Samuel has determined whether the DEXUS Offer is fair by comparing the estimated underlying value range of CPA with the offer price. The DEXUS Offer will be fair if it falls within or exceeds the estimated underlying value range. In considering whether the DEXUS Offer is reasonable, the factors that have been considered include:

- the existing unitholding structure of CPA;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of CPA units in the absence of the DEXUS Offer; and
- other advantages and disadvantages for CPA unitholders of accepting the DEXUS Offer.

### 2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

***Publicly Available Information***

- the Consortium Bidder's Statement;
- the Target's Statement in relation to the DEXUS Offer (including earlier drafts);
- the GPT Bidder's Statement and the Target's Statement issued by CMIL in relation to the GPT Offer dated 24 December 2013 (including earlier drafts);
- annual reports of CPA for the five years ended 30 June 2013;
- press releases, public announcements, media and analyst presentation material and other public filings by CPA including information available on its website;
- brokers' reports and recent press articles on CPA and the Australian REIT sector; and
- sharemarket data and related information on Australian listed REITs and acquisitions of Australian listed REITs.

***Non Public Information provided by CPA***

- independent property valuations commissioned by CMIL in relation to CPA's property assets;
- unaudited management accounts for CPA for the four months ended 31 October 2013;
- the FY14[14] Strategy for CPA; and
- other confidential documents, board papers, presentations and working papers and third party reports prepared for the independent directors.

In preparing this report, Grant Samuel has held discussions with, and obtained information from, senior management of Colonial First State Global Asset Management and CMIL's advisers.

14 FYXX = financial year end 30 June 20XX

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## 2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on a particular factor or analysis. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances.

This report is also based upon financial and other information provided by CMIL and its advisers. Grant Samuel has considered and relied upon this information. CMIL, in its capacity as responsible entity for CPA, has represented in writing to Grant Samuel that to its knowledge the information provided by it was then, and is now, complete and not incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the DEXUS Offer is fair and reasonable. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" of the type undertaken by entities and their advisers in relation to, for example, prospectuses or profit forecasts, is beyond the scope of an independent expert.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review of the anticipated commercial and financial implications rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of CPA. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

Grant Samuel has not undertaken any valuations of the properties owned by CPA and, for the purposes of this report, has relied on the independent property valuations commissioned by CMIL for those properties in determining the underlying net asset value of investments in property assets. Grant Samuel has undertaken an analysis of a sample of the independent valuations and notes that:

- the external valuers have accepted instructions only from CMIL and have confirmed that they satisfy the requirements in the Corporations Act that:
  - they are suitably qualified individuals with the requisite five years of appropriate experience;
  - they are authorised by law to practice as a valuer; and
  - they regard themselves as independent;
- the external valuers have been given appropriate instructions consistently;
- there were no restrictions in the scope of the independent valuers' engagements or other terms which may have impacted on the quality of the valuations;

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- the external valuers have prepared their valuations in accordance with Australian Property Institute standards; and
- the external valuers have utilised standard property valuation methodologies (i.e. discounted cash flow, capitalisation of income and direct comparison) with the value conclusion selected having regard to the results of each methodology.

The information provided to Grant Samuel included distribution projections based on the CPA fund model as at 31 October 2013. CMIL is responsible for this forward looking information. Grant Samuel has not relied on the distribution projections for the purposes of its report but has considered them in assessing whether there are reasonable grounds to use broker consensus forecasts of distribution per unit for analytical purposes. In this context, Grant Samuel notes that the CPA fund model is used in the management of CPA and supports the FY14 distribution guidance. While CPA has made guidance statements in relation to distributions for FY14, no distribution guidance has been provided for subsequent years in the Target's Statement and therefore this information has not been included in this report.

Grant Samuel has no reason to believe that the forward looking information reflects any material bias, either positive or negative. However, the achievability of the forward looking information is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or CPA's management. Actual results may be significantly more or less favourable.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Consortium Bidder's Statement, the GPT Bidder's Statement and the Target's Statements sent by CMIL to CPA unitholders in relation to the DEXUS Offer and the GPT Offer is complete, accurate and fairly presented in all material respects; and
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

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## 3 Profile of Commonwealth Property Office Fund

### 3.1 Background

CPA was established by CBA in January 1999 with the objective of investing in quality properties, primarily office buildings. It purchased a $619.5 million portfolio of seven properties and listed on the ASX in April 1999. In October 2002, CPA acquired a $1.18 billion portfolio of office and industrial properties owned by Colonial First State Property Trust Group and, in April 2003, on-sold the non-core industrial and office properties for $500 million. Following a strategy review in mid 2007, CPA has placed greater emphasis on development opportunities with property development and management responsibilities transferred from third party providers to Colonial First State Management Pty Ltd ("CFSM"), a subsidiary of CBA.

Today, CPA is an externally managed office sector specific REIT focused on providing long term sustainable returns for unitholders through active asset management, disciplined investment decisions and prudent capital management. It owns a portfolio of 25 office properties located in central business districts and major suburban markets in Australia with a book value at 31 October 2013 of $3.8 billion (see Section 3.3). Prior to the announcement of the internalisation proposal on 24 July 2013, CPA had a market capitalisation of around $2.6 billion.

### 3.2 Operating Structure

CPA is a unit trust established by a constitution under which CMIL is appointed responsible entity. CMIL has a board of five directors (three of which are independent of CBA) and has no employees. Under the constitution CMIL is entitled to delegate the exercise of its powers and performance of its obligations (including to related entities). In this regard, it has:

- appointed CFSPL as manager of CPA under a Management Agreement. CFSPL undertakes all of the operational management duties of CMIL, except those that require the holding of an Australian Financial Services Licence (i.e. compliance and statutory matters). CFSPL has delegated these responsibilities to CSFM which has, in turn, outsourced the management and leasing of:
  - CPA properties to Jones Lang LaSalle (NSW) Pty Limited ("Jones Lang LaSalle") under a Managing Agent Agreement which expires on 30 June 2015[15]; and
  - co-owned office properties to other managing agents under property specific arrangements[16];
- entered into a letter of appointment under which CFSM provides leasing services in relation to the retail component of CPA owned properties on a non exclusive basis; and
- entered into a Development Services Agreement under which CFSM is responsible for development activities for 100% owned CPA properties (and co-owned properties on a case by case basis) including feasibility studies, managing development works and securing tenants for both office and retail developments and repairs, maintenance and tenancy fit-outs and stripouts for retail developments only[17].

The ownership and operating structure of CPA is summarised below:

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15 There are no direct termination rights should CMIL want to discontinue the Managing Agent Agreement but, if CFSM is replaced as property manager, the agreement can be terminated on 40 business days' notice. CFSM has also entered into an Alignment Deed with Jones Lang LaSalle under which CFSM is entitled to receive an amount of $0.7 million per annum. In addition, office lease renewal fees are shared by CFSM and Jones Lang LaSalle.

16 In the case of 180-222 Lonsdale Street, Melbourne these services are provided by CFSM for both the retail and office property components in accordance with the terms of the Property Management Agreement (QV Complex) dated 30 November 2010.

17 In relation to 5 Martin Place, Sydney, CSFM is a joint development manager under a separate agreement dated 3 August 2011.

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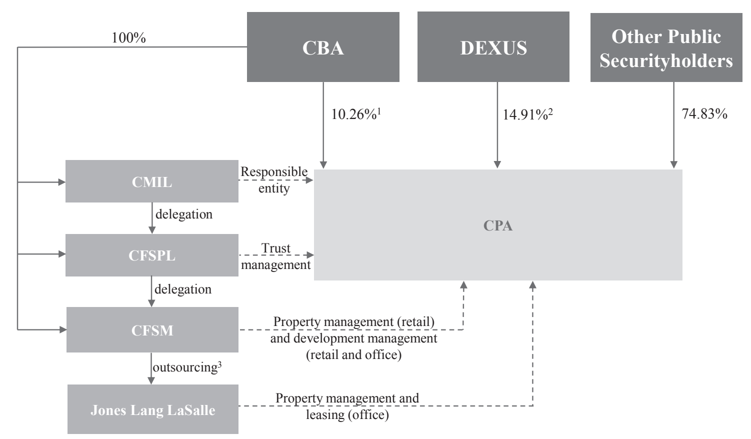
### CPA – Ownership and Operating Structure




Source: CPA

Notes:

1. Including 7.8% direct interest and 2.46% relevant interest of related institutional entities. CBA has additional voting power of 15.45% as a result of DEXUS's interest in CPA due to the Facilitation Agreement.
2. DEXUS exercised its right under the forward contract with Deutsche Bank AG to take physical delivery of 350 million units in CPA (14.91%), which is due to occur on 24 January 2014 (unless postponed). In addition, DEXUS has a 0.54% interest as a result of acceptances under the DEXUS Offer and additional voting power of 10.26% as a result of CBA's relevant interest in CPA due to the Facilitation Agreement.
3. Most property management activities for CPA office properties have been outsourced to Jones Lang LaSalle.

In addition, CMIL (as responsible entity of CPA):

- has entered into an Alignment Deed with CFSPL, the purpose of which is to allow CPA to share in the profits generated by CSFM from services provided to CPA. Under the agreement, CPA is entitled to an amount equal to 20% of CFSM's net profit after tax derived from providing development services to CPA and 50% of CFSM's net profit after tax derived from providing property management and leasing services to CPA; and
- holds interests in CFSP Asset Management Pty Ltd ("CFSPAM") which provides car park services and on-sells electricity at properties owned by funds managed by CMIL (including CPA).

CPA pays the following major fees for services provided by CMIL and CFSM[18]:

[18] Under these agreements CFSM is entitled to fees for other specific services (e.g. tenancy fit-outs and stripouts for retail developments) which are not detailed in the table.

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| CPA – Fee Structure | |
|---|---|
| **Fee Type** | **Basis** |
| ***Responsible Entity (CMIL)*** | |
| ▪ Base Management Fee | ▪ 0.45% per annum of CPA's gross asset value less any derivative assets<br>▪ calculated monthly and payable in cash quarterly in arrears |
| ▪ Performance Fee | ▪ payable if total return of CPA for the six month period exceeds the performance of the benchmark S&P ASX 200 Property Accumulation Index[19], customised to remove the effect of CPA on the index<br>▪ calculated as 5% of the first 1% outperformance and 15% of outperformance in excess of 1%, multiplied by gross asset value of CPA<br>▪ calculated half yearly and satisfied through the issue of CPA units to the manager or its nominee except in the case of a trigger event (e.g. a change of control, termination or delisting or removal of the responsible entity without its recommendation) in which case the performance fee is payable in cash<br>▪ the number of units to be issued is based on the higher of CPA's net tangible assets per unit[20] and the 10-day volume weighted average price post the performance fee period. The performance fee is payable each half year within two months of the last day of the performance fee period. Units are accrued at the time of entitlement and issued when CPA achieves positive absolute performance<br>▪ if the fund return is less than the benchmark return in any period, the deficit amount is carried forward and taken into account in calculating whether a fee is payable in subsequent periods<br>▪ the performance fee is capped at 0.15% per six month period of CPA's gross asset value<br>▪ if the fee is capped in any period, the outperformance is carried forward into future periods |
| ▪ Cost reimbursement | ▪ payment for all costs in relation to the performance of role |
| ***Development Management (CFSM)*** | |
| ▪ Project management fee | ▪ **office:** 3% of cost of development works plus 2% of certain costs for project management (excluding any pre project fee paid)<br>▪ **retail:** 5% of the cost of development works (excluding pre project fees) |
| ▪ Project leasing fee | ▪ **office:** 11-15% of first year's income, depending on the term of the lease<br>▪ **retail:** 14% of first year's income |
| ▪ Pre project fee | ▪ **office/retail:** 10% of costs incurred in undertaking preliminary investigation and feasibility work (in addition to costs incurred) |
| ▪ Cost reimbursement | ▪ **office/retail:** agreed expenses and administration charges |

Source: CPA

CMIL's role as responsible entity is subject to the provisions of the Corporation Act relating to the retirement and removal of responsible entities for listed managed investment schemes. CMIL effectively has indefinite tenure unless it wants to retire or is removed. Either of these changes can only occur following an ordinary resolution of unitholders (i.e. approval by at least 50% of votes cast).

The Management Agreement continues until the earlier of the date on which CFSPL is removed or resigns as manager and the date on which CMIL ceases to be responsible entity of CPA. The letter of appointment for retail leasing services between CMIL (as responsible entity of CPA) and CFSM can be terminated immediately upon written notice by either party to the other party. The Property Management Agreement (QV Complex) can be terminated by agreement of CFSM and the property owner. The Development Service Agreement and the Property Management Agreement (QV Complex) have no fixed term but are subject to termination provisions including failure to meet performance criteria, fraud or insolvency of either party. The Alignment Deed may only be terminated by agreement of CMIL (as responsible entity of CPA) and CFSPL or if payments are no longer made from CFSPL to CMIL under the Alignment Deed pursuant to property management, development and leasing agreements between CMIL and CFSM.

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19 Prior to 1 July 2012, CPA's performance fee benchmark was the S&P/ASX 200 Commercial Accumulation Index.

20 Net tangible assets per unit is defined as total tangible assets less liabilities, distributions payable and payments in advance of a call on partly paid units divided by the number of units on issue.

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### 3.3 Property Portfolio

CPA's property portfolio comprises high quality office properties and adjoining retail space predominantly located in Sydney and Melbourne. At 31 October 2013 the portfolio had a book value of \$3.8 billion (including \$3.5 billion of office properties and \$0.3 billion of retail properties) as summarised below:

**CPA – Property Portfolio at 31 October 2013**

| Property | Ownership Interest (%) | Grade | Date Acquired | Net Lettable Area[21] ('000m²) | Book Value[22] 31 Oct 13 (\$ million) | Portfolio Composition (by value) |
|---|---|---|---|---|---|---|
| ***Australian Capital Territory*** | | | | | | |
| Finlay Crisp Centre, Canberra | 100 | B | Apr-99 | 30.1 | 77.5 | 2.0% |
| **Total Australian Capital Territory** | | | | **30.1** | **77.5** | **2.0%** |
| ***New South Wales*** | | | | | | |
| 60 Castlereagh Street, Sydney | 100 | A | Oct-02 | 27.1 | 251.5 | 6.6% |
| 36 George Street, Burwood | 100 | A | Apr-99 | 14.2 | 51.2 | 1.3% |
| 101 George Street, Parramatta | 100[23] | A | Jan-05 | 18.1 | 96.0 | 2.5% |
| 150 George Street, Parramatta | 100[23] | A | Oct-02 | 22.0 | 99.4 | 2.6% |
| 201 Kent Street, Sydney | 50[24] | A | Dec-00/Apr-13 | 39.9 | 162.5 | 4.2% |
| 14 Lee Street, Sydney | 100 | A | Oct-02 | 14.4 | 67.5 | 1.8% |
| 5 Martin Place, Sydney (development) | 50[23,24] | Premium | Apr-99 | 33.9 | 58.5[25] | 1.5% |
| 201 Miller Street, North Sydney | 100 | A | Jun-03 | 15.0 | 78.6 | 2.1% |
| 56 Pitt Street, Sydney | 100 | B | Oct-02 | 20.4 | 173.0 | 4.5% |
| 175 Pitt Street, Sydney (office/retail) | 100 | A | Apr-99 | 25.7 | 252.5 | 6.6% |
| 10 Shelley Street, Sydney | 50[24] | A | Dec-03 | 28.4 | 108.0 | 2.8% |
| **Total New South Wales** | | | | **258.9** | **1,398.7** | **36.6%** |
| ***Queensland*** | | | | | | |
| 145 Ann Street, Brisbane | 100 | A | Nov-09 | 28.3 | 230.0 | 6.0% |
| 10 Eagle Street, Brisbane | 100 | A | Jun-12 | 28.1 | 201.3 | 5.3 |
| **Total Queensland** | | | | **56.4** | **431.3** | **11.3%** |
| ***South Australia*** | | | | | | |
| 108 North Terrace, Adelaide | 100 | A | Oct-05 | 20.1 | 68.9 | 1.8% |
| 11 Waymouth Street, Adelaide | 100 | Premium | Dec-04 | 31.0 | 160.0 | 4.2% |
| **Total South Australia** | | | | **51.1** | **228.9** | **6.0%** |
| ***Victoria*** | | | | | | |
| 385 Bourke Street, Melbourne (office/Galleria) | 100 | A | Apr-99 | 63.6 | 315.3 | 8.2% |
| 655 Collins Street, Melbourne | 100 | A | Nov-10 | 17.0 | 103.0 | 2.7% |
| 750 Collins Street, Melbourne | 100 | A | Dec-10 | 40.7 | 253.0 | 6.6% |
| 180-222 Lonsdale Street, Melbourne (office/retail/carpark) | 50[24] | A | Nov-10 | 108.7 | 307.7 | 8.0% |
| 2 Southbank Boulevard, Melbourne | 50[24] | A | Jul-03 | 55.2 | 195.0 | 5.1% |
| **Total Victoria** | | | | **285.2** | **1,174.0** | **30.7%** |
| ***Western Australia*** | | | | | | |
| 46 Colin Street, West Perth | 100 | A | Apr-02 | 8.9 | 44.0 | 1.2% |
| 58 Mounts Bay Road, Perth | 50[24] | A | Jun-10 | 22.4 | 109.0 | 2.9% |
| **Total Western Australia** | | | | **31.3** | **153.0** | **4.0%** |
| **Total Consolidated** | | | | **679.1** | **3,463.4** | **90.6%** |
| 2 and 4 Dawn Fraser Ave, Sydney Olympic Pk | 50[23,26] | A | Jul-06 | 34.5 | 83.8[26] | 2.2% |
| 225 George Street, Sydney | 25[27] | Premium | Sep-03 | 85.6 | 276.7[27] | 7.2% |
| **Total Associates** | | | | **120.2** | **360.5** | **9.4%** |
| **Total CPA** | | | | **799.3** | **3,823.9** | **100.0%** |

Source: CPA

21 Net lettable area is shown for the office component only and is on a 100% basis.

22 Book value reflects CPA's ownership interest.

23 CBA leases the properties and has the right to acquire the properties if CMIL ceases to be the responsible entity or if CPA sells the properties and, in some instances, change of control of CPA.

24 Co-owners are Investa Commercial Property Fund (201 Kent Street), Cbus Property (5 Martin Place), Brookfield Asset Management (10 Shelley Street), Victoria Square QV Investments Pty Ltd (180-222 Lonsdale Street), Australand Property Group (2 Southbank Boulevard) and Cape Bouvarde Investments (58 Mounts Bay Road).

25 5 Martin Place, Sydney has been valued at 31 December 2013 at \$63.75 million.

26 CPA owns 50% of units in the Site 6 Homebush Bay Trust and the Site 7 Homebush Bay Trust (co-owner DEXUS) which own 100% of 4 and 2 Dawn Fraser Avenue, Sydney Olympic Park, respectively. Book value represents CPA's share of the assets and liabilities of each trust. At 31 December 2013, 4 and 2 Dawn Fraser Avenue, Sydney Olympic Park were valued at \$72 million and \$97 million, respectively.

27 CPA owns 25% of the units in Grosvenor Place Holdings Trust (co-owner DEXUS), which in turns owns 50% of 225 George Street, Sydney (co-owners Investa Property Group (25%) and Commonwealth Superannuation Corporation (25%)). Book value represents CPA's share of the assets and liabilities of the trust. At 31 December 2013, 100% of 225 George Street was valued at \$1.11 billion.

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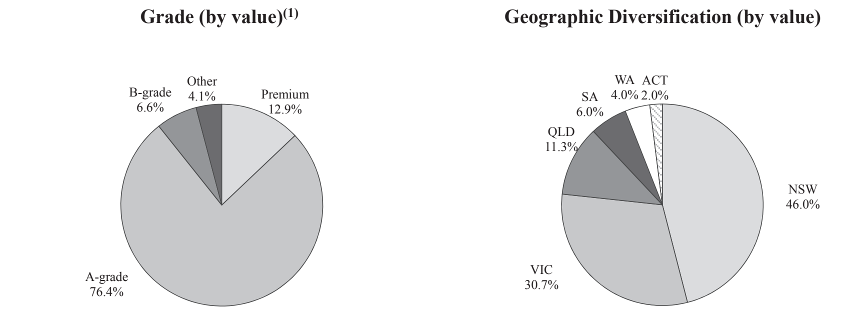
At listing in 1999, CPA's owned seven assets which were 50% leased to CBA. The acquisition of office and industrial assets held in the Colonial First State Property Trust Group portfolio in October 2002 added 10 core office properties. Other major acquisitions include the acquisition of four Melbourne properties in November/December 2010 for $581 million.

Over the last five years, CPA has increased its weighting of prime (premium and A) grade assets and increased its geographic diversification. The portfolio is weighted towards the Sydney and Melbourne markets. The largest property (by value), 225 George Street, Sydney represents only 7.2% of CPA's portfolio.

**CPA – Property Portfolio at 31 October 2013**




Source: CPA

Note (1) Premium grade includes 5 Martin Place, Sydney (which is currently under development), A-grade includes retail assets co-located with A-grade office properties and other includes the retail, carpark and crèche assets at 180-222 Lonsdale Street, Melbourne.

CPA focuses on active asset management through positioning assets to meet demand and maintaining high occupancy, tenant satisfaction and retention. Over the five years to 30 June 2013, the portfolio has had an average occupancy of 96%, tenant retention of 73.3% and top quartile tenant satisfaction ratings. At 30 September 2013 the portfolio was 95.6% leased.

The top fifteen tenants represent approximately 52% of rental income and include CBA (10.3% of income), state and federal governments (14.0%), accounting firms (KPMG, Deloitte and PwC) (8.0%) and major Australian corporations (AMP, Fairfax Media, Telstra, GHD, Clough, IAG, Energy Australia and BNP Paribas). CPA has a reasonably smooth lease expiry profile with 8-15% of the portfolio (by income) expiring each year following 30 June 2013. As at 30 September 2013 the average remaining lease term was 4.5 years.

A key element of CPA's strategy is enhancing portfolio quality through acquisitions, divestments and developments. Over the past five years, CPA has sold over $0.9 billion of assets with an average internal rate of return of 10.1% and purchased $1.2 billion of assets with an average internal rate of return of 8.5%. Over the last two years, asset sales have exceeded acquisitions and the proceeds have been used to fund the development pipeline and $108 million was returned to unitholders through a unit buyback program.

CPA identifies development opportunities which meet specified criteria, including the development to represent less than 20% of total assets (on a cost to complete basis), an internal rate of return of over 10% and a target yield of over 7%. Over the last five years, CPA has undertaken $550 million of developments and delivered an average internal rate of return of 12.8% per annum. CPA and Cbus Property are undertaking a redevelopment of 5 Martin Place at an estimated cost $215 million (CPA share). The building will offer approximately 33,860 square metres of net lettable area including ground floor retail and 19 levels of premium grade office accommodation. Construction has commenced and the project is expected to be completed in early 2015 and Ashurst has been secured as a tenant for 44% of the office component of the project. In FY14, CPA will commence major refurbishment projects at 180 Lonsdale Street,

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Melbourne ($17 million), 385 Bourke Street, Melbourne ($64 million) and 108 North Terrace, Adelaide, ($27 million).

### 3.4 Financial Performance

The financial performance of CPA for the five years ended 30 June 2013 is summarised below:

| CPA - Financial Performance ($ millions) | | | | | |
|---|---|---|---|---|---|
| | Year ended 30 June | | | | |
| | 2009 actual | 2010 actual | 2011 actual | 2012 actual | 2013 actual |
| **Net property income[28]** | **233.4** | **210.2** | **241.0** | **243.4** | **255.9** |
| Alignment fee income from CFSPM | 0.4 | 0.4 | 0.8 | 0.9 | 0.2 |
| Other property income (including CFSPAM dividend) | 0.1 | 0.1 | 0.1 | 0.6 | 1.9 |
| Interest income | 2.1 | 1.1 | 1.0 | 1.4 | 0.6 |
| **Total operating income** | **236.0** | **211.8** | **242.9** | **246.3** | **258.6** |
| Base management fees | (16.0) | (13.5) | (14.3) | (13.7) | (17.0) |
| Performance fees | (10.7) | (9.0) | (5.0) | - | - |
| Other trust expenses | (1.8) | (1.5) | (3.4) | (2.5) | (2.8) |
| **EBIT[29]** | **207.5** | **187.8** | **220.2** | **230.1** | **238.8** |
| Interest expense[30] | (67.9) | (51.6) | (64.9) | (47.8) | (51.1) |
| **Earnings[31]** | **139.6** | **136.2** | **155.3** | **182.3** | **187.7** |
| Changes in fair value of investment properties/associates | (597.3)[32] | (27.9) | 35.3 | 113.1 | (40.1) |
| Changes in fair value of derivatives | (68.5) | (14.0) | 4.6 | (38.9) | (2.4) |
| Changes in fair value of unrealised performance fees | (25.1) | 21.8 | 3.3 | - | - |
| Rent straight lining[33] | 7.7 | 0.6 | 4.1 | 5.2 | 6.0 |
| Non cash convertible note interest expense | - | (2.5) | (4.9) | (5.3) | (5.8) |
| **Profit attributable to CPA unitholders** | **(543.7)** | **114.2** | **197.7** | **256.4** | **145.4** |
| ***Statistics*** | | | | | |
| *Net property income growth* | *6.9%* | *(10.0%)* | *14.7%* | *1.0%* | *5.1%* |
| *Like-for-like net property income growth[34]* | *8.4%* | *3.0%* | *1.1%* | *3.0%* | *2.0%* |
| *Management expense ratio[35]* | *0.80%* | *0.81%* | *0.65%* | *0.44%* | *0.52%* |
| *Interest cover[36]* | *3.3x* | *3.5x* | *3.2x* | *4.1x* | *4.4x* |

Source: CPA and Grant Samuel analysis

Net property income reflects changes in ownership of assets and the timing of development projects over the period. For example, in FY10 the refurbishment of 175 Pitt Street and the sale of 300 Queen Street, Brisbane resulted in lower net property income which then increased in FY11 as a result of the acquisition of four Melbourne properties. Excluding the impact of changes in ownership and redevelopments, net property income growth has slowed since FY09 as a result of modest rental growth in a weak economic environment.

Base management fees have moved in line with CPA's gross asset value. Until the period ended 31 December 2013, CPA had underperformed the benchmark index in all but two performance periods since 2008 and, following recoupment of previous outperformance, no performance fees

28 Net property income is rental and other property income and share of net profit from associates before fair value adjustments less property expenses and excludes straight lining of revenue.

29 EBIT is earnings before interest expense, tax, fair value adjustments, rent straight lining and non cash convertible note interest expense but includes interest, other income and amortisation of incentives.

30 Interest expense is interest on borrowings and interest rate swaps less non cash convertible notes interest expense.

31 Earnings is earnings before tax, fair value adjustments, rental straight lining and non cash convertible note interest expense.

32 Includes $6.1 million impairment to property, plant and equipment.

33 Fixed rental increases are recognised on a straight line basis over the term of the lease.

34 Includes only properties owned for the full 12 month period, adjusts for changes in ownership and excludes net property income from development affected properties.

35 Calculated as base management fees, performance fees and other corporate expenses divided by total average assets. Total average assets is calculated as the average of total assets (excluding the fair value of derivatives) at the beginning and the end of each month.

36 Interest cover is EBIT divided by interest expense (adjusted to include capitalised interest).

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were paid from 31 December 2010 to 30 June 2013. The underperformance balance was 22.6% at 30 June 2013. However, subsequently CPA has outperformed its performance fee benchmark and CMIL is entitled to a full performance fee of $5.7 million for the six months ended 31 December 2013 with cumulative outperformance of 2.1% being carried over at 31 December 2013. The performance fee is to be paid from retained earnings.

CPA incurs other trust expenses of approximately $2.8 million per annum including fees to external service providers (audit, tax, legal, compliance, registry). Management expense ratio has declined during the period due to the absence of performance fees in recent years.

Interest expense excludes non cash convertible notes interest and interest associated with development activities (capitalised to investment properties). Lower interest expense in FY10 reflects a reduction in borrowings following a $192 million institutional placement in January 2009 and $151 million in asset sales. Since then interest expense reflects changes in CPA's management of its portfolio (acquisitions, divestments and redevelopments) and active capital management in the lower interest rate environment. CPA aims to achieve an interest coverage ratio of 2.0 times or greater and has exceeded this target over the last five years.

As a result of the global financial crisis the majority of CPA's property portfolio was independently valued twice in FY09. The volatility in financial markets resulted in the weighted average capitalisation rate for the portfolio softening from 6.5% at 30 June 2008 to 7.7% at 30 June 2009 leading to an unrealised loss on the portfolio (including associates) of $591.3 million. After a further modest decline in FY10, improving market conditions and active management has resulted in increases in the value of the portfolio in subsequent years.

CPA is exposed to interest rate risk in respect to its borrowings and exchange rate risk in respect to its United States dollar denominated medium term notes. It utilises interest rate swaps and cross-currency swaps to hedge these risks.

### 3.5 Distributions

CPA pays distributions half yearly for the periods ending 30 June (payable in August) and 31 December (payable in February). Distributions to CPA unitholders may include income, capital gains, tax deferred amounts (i.e. an amount paid out of the excess of operating income of the trust over the net income for tax purposes), capital gains tax concessional amounts and franked dividends.

Prior to 1 July 2009, CPA distributed 100% of distributable income[37] to unitholders. Since then CPA has aimed to distribute either 70-80% of the greater of distributable income[38] and taxable income. The revised distribution policy together with a decline in earnings and the dilutive institutional placement of January 2009 resulted in 36% lower distribution per unit in FY10. CPA's distribution policy was further modified from 1 July 2012 to be based on FFO[39] (in line with industry peers). Distributions have generally increased since FY10 as follows:

[37] Defined as earnings before tax plus the transfer from reserves for amortisation of fit-out incentives and capped performance fees.

[38] The definition of distributable income was also modified such that an amount equivalent to amortisation of fit-out incentives and capped performance fees was no longer transferred from equity.

[39] CPA calculates FFO as earnings before tax and amortisation of fit out incentives, cash incentives, leasing commissions and other non-recurring items. The definition adopted by CPA differs from that recommended by the Property Council of Australia ("PCA") in that no adjustment is made for the amortisation of rent free periods and is before the amortisation of leasing commissions. Using the PCA definition, CPA's FFO for FY13 would have been $208.8 million.

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| CPA – Distributions ($ millions) | | | | | |
|---|---|---|---|---|---|
| | Year ended 30 June | | | | |
| | 2009 actual | 2010 actual | 2011 actual | 2012 actual[40] | 2013 actual |
| **Earnings** | **139.6** | **136.2** | **155.3** | **182.3** | **187.7** |
| Transfer from undistributed reserves | - | - | 10.5[41] | - | - |
| Amortisation of fit-out incentives | 7.4 | | | 16.0 | 16.0 |
| **Adjusted earnings** | **146.9** | **136.2** | **165.8** | | |
| Amortisation of cash incentives and leasing commissions | | | | 2.5 | 2.8 |
| Other | | | | - | 0.5 |
| **FFO** | | | | **200.8** | **207.0** |
| **Distributions paid and payable** | **151.9** | **107.7** | **134.8** | **144.2** | **153.7** |
| ***Statistics*** | | | | | |
| *Adjusted earnings per unit* | *8.51¢* | *7.02¢* | *6.86¢* | | |
| *FFO per unit* | | | | *8.35¢* | *8.82¢* |
| *Distribution per unit* | *8.80¢* | *5.55¢* | *5.50¢* | *6.09¢* | *6.55¢* |
| *Payout ratio (adjusted earnings basis)* | *103%* | *79%* | *80%* | | |
| *Payout ratio (FFO basis)* | | | | *73%* | *74%* |

Source: CPA and Grant Samuel analysis

On 5 December 2013, CPA provided distribution guidance for FY14 of 6.75 cents per unit including 3.50 cents per unit for the six months ending 31 December 2013. This guidance is based on the target payout ratio of 75% of FFO and assumes no performance fee is payable. Although a performance fee is payable for this period, it is to be paid from retained earnings rather than by a reduction in the distribution.

### 3.6 Financial Position

The financial position of CPA as at 30 June 2013 (audited) and at 31 October 2013 (unaudited) is summarised below:

| CPA - Financial Position ($ millions) | | |
|---|---|---|
| | 30 June 2013 | 31 October 2013 |
| Cash | 9.6 | 11.7 |
| Receivables and prepayments | 25.0 | 32.2 |
| Investment property portfolio | 3,377.5 | 3,463.4 |
| Equity accounted investments | 358.9 | 360.5 |
| Investment in CFSPAM | -[42] | -[42] |
| Interest rate swap derivatives | 2.2 | 2.5 |
| **Total assets** | **3,773.2** | **3,870.3** |
| Payables | (53.5) | (51.6) |
| Distribution payable | (78.6) | (53.8) |
| Base management fees payable | (4.3) | (1.5) |
| Interest bearing liabilities | (916.4) | (955.4) |
| Derivatives | (17.0) | (22.0) |
| **Total liabilities** | **(1,069.8)** | **(1,084.3)** |
| **Net assets** | **2,703.4** | **2,786.0** |
| ***Statistics*** | | |
| *Units on issue at period end (million)* | *2,347.0* | *2,347.0* |
| *NTA[43] per unit* | *$1.15* | *$1.19* |
| *Gearing[44]* | *25.2%* | *25.6%* |
| *Loan to value ratio[45]* | *28.6%* | *28.2%* |

Source: CPA and Grant Samuel analysis

40 Restated by CPA to reflect distribution policy adopted from 1 July 2012.

41 New units issued in November and December 2010 ranked equally with existing units and were entitled to the full FY11 distribution.

42 Book value of investment less than $100.

43 NTA is net tangible assets, which is calculated as net assets less intangible assets.

44 Gearing is drawn borrowings (adjusted for the fair value of cross currency swaps) divided by total assets (excluding the fair value of derivative assets).

45 Calculated as total liabilities divided by total assets excluding the effect of the option component of convertible notes and the fair value of derivatives.

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CPA's investment property portfolio comprises 25 properties (five of which are held under leasehold title). Investment properties are valued at intervals of not more than one year by independent, registered valuers. Book value represents independent values and additions/disposals since last valuation date (including capital expenditure and payments for incentives and leasing fees net of amortisation). At 31 October 2013 all but one investment property had been independently valued at either 30 September 2013 or 31 October 2013. The remaining property (5 Martin Place, Sydney) has been valued at 31 December 2013 at $63.75 million (an increase of $5.25 million over book value at 31 October 2013 reflecting capital expenditure since then).

At 30 June 2013, CPA had contracted capital expenditure commitments of $112.0 million for which no provision has been made (including $51 million for FY14). The cost base of CPA's property portfolio for capital gains tax purposes is approximately 70% of book value.

Equity accounted investments include:

**CPA – Equity Accounted Investments**

| Entity (ownership %) | Property (ownership interest) | Book Value ($ million) 30 June 2013 | 31 October 2013 |
|---|---|---|---|
| Grosvenor Place Holdings Trust (50%) | 225 George Street, Sydney (50%)[46] | 275.1 | 276.7 |
| Site 6 Homebush Bay Trust (50%) | 4 Dawn Fraser Ave, Sydney Olympic Pk (100%)[46] | 35.6 | 35.6 |
| Site 7 Homebush Bay Trust (50%) | 2 Dawn Fraser Ave, Sydney Olympic Pk (100%)[46] | 48.2 | 48.2 |
| PIF Managed Property Pty Ltd (50%) | (dormant company) | -[42] | -[42] |
| Grosvenor Place Pty Limited (25%) | (dormant company) | -[42] | -[42] |
| **Total** | | **358.9** | **360.5** |

Source: CPA and Grant Samuel analysis

CPA holds an ordinary share and a redeemable preference share in CFSPAM which undertakes trading activities such as car park services and the on-selling of electricity at properties owned by funds managed by CMIL. CPA receives dividends from CFSPAM which reflect earnings from these activities at 180-222 Lonsdale Street, Melbourne (50% owned by CPA). These earnings are reflected in the independent valuation of that property.

The distribution for the six months ended 30 June 2013 was paid to unitholders on 28 August 2013 and the base management fee payable at 30 June 2013 was paid to CMIL in cash in August 2013. CPA accrues base management fees and provides for unitholder distributions on a monthly basis. At 31 October 2013, base management fee payable represents the fee for one month while the distribution payable represents a provision for four months based on CPA's target payout ratio of 75% of FFO.

CPA's interest bearing liabilities comprise capital market instruments and bank facilities and at 30 November 2013 had a weighted average maturity of approximately 3.5 years:

**CPA – Interest Bearing Liabilities ($ millions)**

| Facility Type | Facility Limit 30 Nov 2013 | Amount Drawn 30 June 2013 | 31 Oct 2013 | 30 Nov 2013 | Legal Maturity Date |
|---|---|---|---|---|---|
| Bank debt facilities | 500.0[47] | 55.0 | 111.5 | 151.5 | Jun 15/Apr 18 |
| Convertible notes | 200.0 | 200.0 | 200.0 | 200.0 | Dec 2016 |
| US medium term notes | 172.2 | 166.9 | 163.9 | 172.2 | Dec 15–Dec 17 |
| Medium term notes | 410.0 | 410.0 | 410.0 | 410.0 | Mar 16–Dec 22 |
| Short term notes | -[48] | 100.0 | 83.5 | 25.0 | - |
| | **1,282.2** | **931.9** | **968.9** | **958.7** | |
| Capitalised borrowing costs | - | (6.2) | (6.2) | (5.8) | |
| Adjustments to convertible notes | - | (9.3) | (7.3) | (6.7) | |
| **Total** | **1,282.2** | **916.4** | **955.4** | **946.2** | |

Source: CPA and Grant Samuel analysis

46 These properties have been valued as at 31 December 2013 (see Footnotes 26 and 27)

47 Including a $300 million facility from CBA of which $151.5 million was drawn at 30 November 2013. From time to time CPA also enters into interest rate swaps with CBA on normal commercial terms.

48 The short term note programs are backed by bank debt facilities and therefore excluded from facility limit.

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The convertible notes are listed on the Singapore Stock Exchange and are:

- convertible at any time to the seventh business day prior to 11 December 2016 at the option of the holder. The conversion price is currently $1.1182;
- redeemable (at principal value plus accrued interest) at the option of the noteholder on 11 December 2014; and
- unless previously redeemed or converted, will be redeemed on the final maturity date of 11 December 2016.

A change of control of, or the replacement of, CMIL as responsible entity has implications under CPA's borrowing arrangements (including derivative financial instruments). In particular, unless approved in accordance with the relevant documentation, they are an event of default for:

- the convertible notes, in which case the notes will become immediately due and repayable at 100% of the principal plus accrued interest; and
- the US medium term notes, in which case the notes may become immediately due and repayable at 100% of the principal amount plus accrued interest and a make whole payment is payable.

A material transaction with an affiliate of CMIL is also an event of default in relation to CPA's US medium term notes unless the consent of holders is obtained.

Furthermore, if a convertible noteholder serves a valid conversion notice in a period of 20 days after a change of control event for CPA, the conversion price will be adjusted with the effect that the number of units to be issued on conversion increases. If the change of control has been consummated, CPA will be required to pay the noteholders an amount equal to the number of units (that would otherwise be issued) times the 10 day VWAP[49] for CPA.

CPA targets gearing in the range of 25% to 35% and a maximum loan to value ratio of 45%. It has a Standard & Poor's ("S&P") long term credit rating of "A-"[50] and a Moody's Investor Services ("Moody's") long term credit rating of "A3".

### 3.7 Capital Structure and Ownership

As at 6 January 2014, CPA had 2,347,003,413 units on issue and 21,246 registered unitholders. The top registered ten unitholders accounted for approximately 72% of the units on issue. Other than CBA, the top ten registered unitholders are principally institutional nominee or custodian companies. CPA has a significant retail investor base with 46% of unitholders holding 10,000 or less units although this represents less than 2.3% of units on issue. CPA unitholders are predominantly Australian based investors (over 99% of units on issue).

CPA has received substantial unitholder notices as follows:

**CPA – Substantial Unitholders**

| Unitholder | Date of Notice | Number of Units | Percentage |
|---|---|---|---|
| DEXUS | 17 January 2014 | 603,513,963 | 25.71% |
| CBA | 16 December 2013 | 590,820,286 | 25.17% |
| Deutsche Bank AG | 3 December 2013 | 382,180,004 | 16.28% |
| CPPIB | 17 January 2014 | 362,693,677 | 15.45% |
| GPT | 6 January 2014 | 268,599,682 | 11.44%[51] |
| Mondrian Investment Partners Limited | 13 December 2012 | 190,553,607 | 8.12% |
| National Australia Bank Limited | 14 January 2014 | 124,671,617 | 5.31% |
| The Vanguard Group, Inc. | 12 December 2013 | 121,210,713 | 5.16% |

Source: IRESS

49 VWAP is volume weighted average price.

50 Following the Consortium's initial proposal on 11 October 2013, S&P placed CPA's long term rating on credit watch with negative implications.

51 On 14 January 2014 GPT announced that its relevant interest in CPA totalled 11.72% including 7.97% under pre-bid agreements with existing CPA unitholders (the obligation of which to accept the GPT Offer is no longer enforceable by GPT) and 3.75% as a consequence of acceptances under the GPT Offer.

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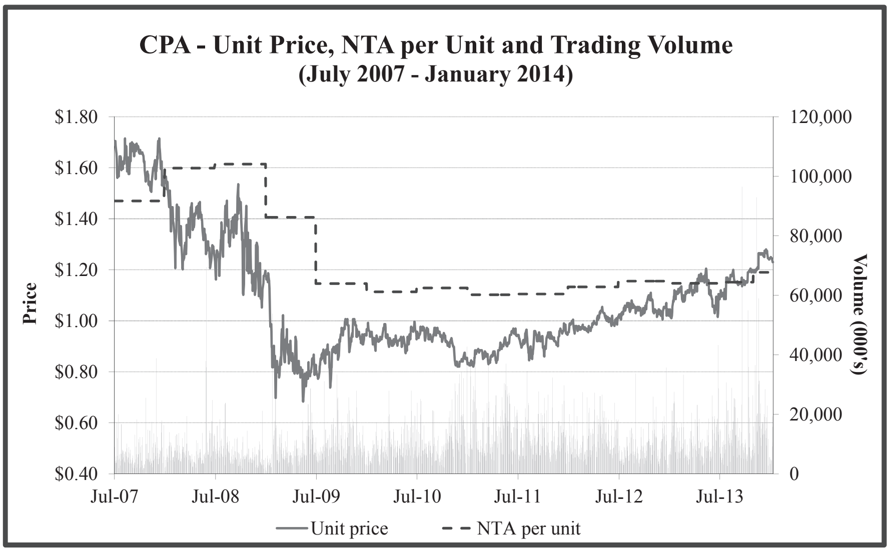
DEXUS has exercised its right under the forward contract with Deutsche Bank AG to take physical delivery of 350 million units in CPA (14.91%), which will occur on 24 January 2014 (unless postponed). In addition, DEXUS has 0.54% voting power as a result of acceptances under the DEXUS Offer. Additional voting power of 10.26% arises from CBA's relevant interest in CPA as a result of the Facilitation Agreement.

CBA's 25.17% voting power comprises a direct interest of 7.8%, 2.46% interests of related institutional entities and an interest in DEXUS's 14.91% interest as a result of the Facilitation Agreement. Although no substantial unitholder notice has been lodged, CBA has voting power in the acceptances under the DEXUS Offer (0.54%) as a result of the Facilitation Agreement.

CPPIB has a relevant interest in the same CPA units as DEXUS as a result of the co-operation letter entered into with DEXUS on 11 October 2013 (other than CBA's 10.26% relevant interest).

### 3.8 Unit Price Performance

The following graph illustrates the movement in the CPA unit price, NTA per unit and trading volumes since 1 July 2007:




Source: IRESS

Note: Unit prices on an adjusted basis reflecting the 1 for 15 non-renounceable entitlements offer of 12 November 2010.

CPA's unit price increased from around $1.20 in October 2005 to reach a high of $1.75 in June 2007 reflecting growth in its property valuations and a relatively buoyant economy. During this period CPA securities traded at a premium to NTA per unit reflecting market expectations of growth in property valuations. However, consistent with most listed REITs, CPA's units have generally traded at a discount to NTA since December 2007. This discount peaked for CPA in May 2009 reflecting the difficult market conditions faced by all REITs as a result of the global financial crisis (including limited access to debt and equity funding, declining property values and weaker economic conditions) and the lag in property valuations in a declining market. As equity markets stabilised and following a $498 million reduction in debt, the CPA unit price increased in the second half of 2009 to trade around $0.95 (on an unadjusted basis), albeit still around 19% below NTA. In November 2010 CPA raised $377 million in equity (including a 1 for 15 non-renounceable entitlements offer) at $0.86 per unit (a 4.4% discount) to partly fund the acquisition of three A-grade office buildings in Melbourne. Since then the unit price has gradually increased to trade briefly around NTA in April/May 2013 prior to a general stockmarket correction.

In the month prior to 23 July 2013 (prior to the announcement of the internalisation proposal), CPA's VWAP was $1.08, compared to NTA per unit of $1.15 as at 30 June 2013, a discount of 6.3%. The closing price on 23 July 2013 was $1.09, a 5.8% discount to NTA. From 24 July 2013

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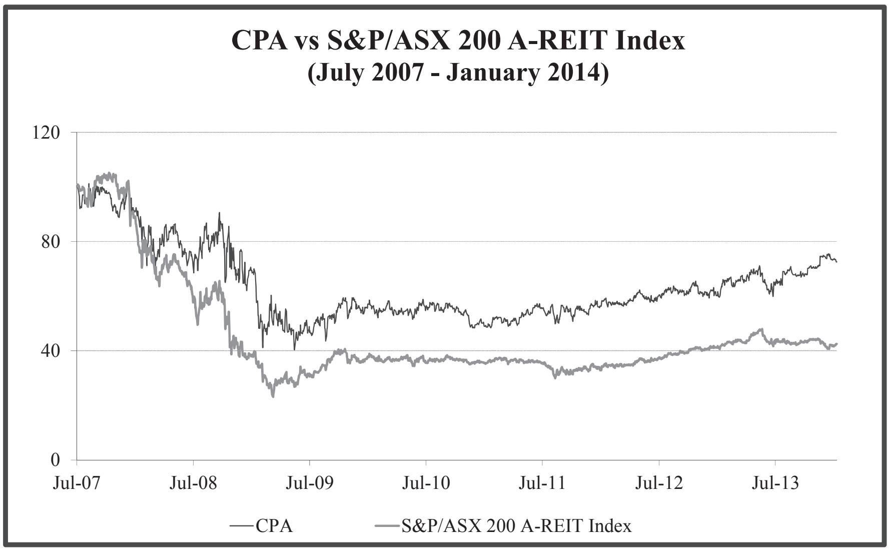
until 10 January 2014, CPA units have traded in the range $1.10-1.29, at a VWAP of $1.20, marginally above NTA per unit.

CPA has been a liquid stock notwithstanding its reduced free float of around 80% (based on DEXUS's 14.91% and CBA's 7.8% direct interest). Average weekly volume over the twelve months prior to the announcement of the internalisation proposal represented approximately 2.2% of average units on issue or annual turnover of around 113% of total average issued capital.

CPA is a member of various indices including the S&P/ASX 200 A-REIT Index and S&P/ASX 200 Industrials Index. At 10 January 2014 CPA's weighting in these indices was approximately 3.25% and 0.26%% respectively. The performance of CPA's unit price since 1 July 2007 relative to the S&P/ASX 200 A-REIT Index is illustrated in the following chart:




Source: IRESS

CPA performed broadly in line with this index until October 2007 when the index declined sharply on refinancing concerns for the more highly geared index members. During the period to March 2009 CPA outperformed the index (although generally mirroring the index trends) reflecting its relatively conservative gearing and the passive nature of its operations. Since 2009, the CPA unit price has broadly tracked the index with periods of over performance and under performance.

CPA's accumulated returns compared to those of the S&P/ASX 200 A-REIT Accumulation Index[19] are shown below:

**CPA – Comparison of Accumulation Indices**

| | Returns 30 June-23 July 2013 | Returns to 30 June 2013 | | | |
|---|---|---|---|---|---|
| | | 1 year | 3 years | 5 years | 10 years |
| CPA | (1.4%) | 15.5% | 12.6% | 4.4% | 6.2% |
| S&P/ASX 200 A-REIT Accumulation Index | (0.8%) | 24.2% | 13.4% | 0.3% | 2.9% |

Source: CPA

Including the impact of distributions, CPA outperformed the benchmark index over five and ten year periods, largely reflecting more limited unit price declines in late 2008. Over shorter periods (one year and three years), CPA has performed below the Australian REIT sector due to the recovery of the sector in general (which had declined further than CPA following the global financial crisis and therefore had more leverage to the recovery). This underperformance continued in the period from 30 June 2013 to 23 July 2013 (the day prior to announcement of the internalisation proposal). CPA has outperformed the S&P/ASX 200 A-REIT Accumulation Index in the period to 31 December 2013 primarily as a consequence of the takeover activity.

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## 4 Profile of DEXUS Property Group

### 4.1 Background

DEXUS is an internally managed stapled entity that invests in office and industrial properties in Australia and is engaged in real estate funds management, asset management and development management. It was formed in October 2004 through the merger of three ASX listed REITs, the acquisition of a US$1 billion United States industrial property portfolio and the acquisition of a 50% interest in DB RREEF Holdings Pty Limited (the owner of the responsible entity of the REITs and responsible entity or investment/asset manager for a number of third party mandates).

DEXUS expanded over the period to 2007 via the acquisition of an industrial property portfolio in Europe and further industrial assets in the United States. At 30 June 2007, DEXUS had $13.6 billion of AUM including a $9 billion investment property portfolio (comprising a mix of Australian office, industrial and retail assets (80%) and United States and European industrial properties (20%)) and $4.6 billion in third party mandates. In February 2008 it acquired the remaining 50% of DB RREEF Holdings Pty Limited thereby fully internalising management.

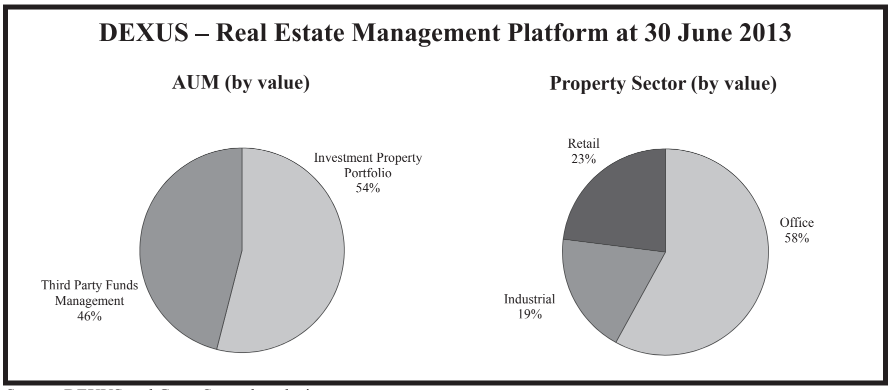
Following the global financial crisis, DEXUS divested its non core United States and European industrial assets and Australian retail assets with the proceeds used to repay debt, adopted a revised distribution policy and restructured its business. Following a strategic review, in August 2012 DEXUS announced a strategy to refocus its business on the Australian office sector and to grow its third party funds management platform. Subsequently, DEXUS has acquired interests in eight Australian office properties (including fund-through development properties) with total value of $1.1 billion and sold its remaining United States and European assets.

Today, DEXUS has $13.4 billion in AUM comprising a $7.3 billion investment property portfolio and $6.1 billion in third party mandates. With a market capitalisation of around $4.7 billion, DEXUS is a top 50 ASX listed entity.

### 4.2 Operations

DEXUS is a quadruple stapled entity comprising DEXUS Office Trust, DEXUS Industrial Trust and DEXUS Diversified Trust, all of which are property owning trusts, and DEXUS Operations Trust which provides a real estate management platform for DEXUS's investment property portfolio and for third parties.

DEXUS's real estate management platform comprises 235 property professionals servicing 123 properties with approximately 3.0 million square metres of net lettable area. DEXUS's $13.4 billion in AUM is invested as follows:




Source: DEXUS and Grant Samuel analysis

DEXUS's operations are described in the Consortium Bidder's Statement and summarised below.

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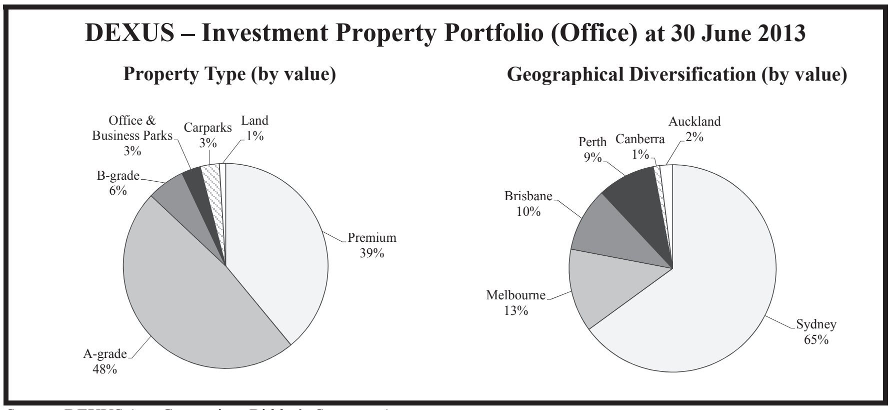
*Investment Property Portfolio*

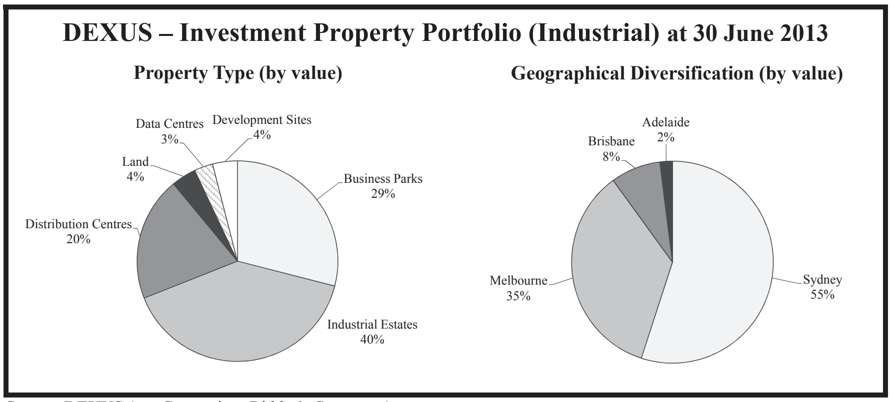
DEXUS's $7.3 billion investment property portfolio is focused on the Australian office and industrial markets with a portfolio composition target of 80% office and 20% industrial in a 3-5 year timeframe. At 30 September 2013, the portfolio comprised 84 properties with a composition of 78% office and 22% industrial, average occupancy (by area) of 94.4% and a weighted average lease expiry of 4.7 years.

DEXUS's office portfolio comprises 36 properties with a book value of $5.7 billion. The portfolio is weighted towards prime assets and the Sydney market. The largest property (by value), Governor Phillip and Macquarie Tower Complex, Sydney, represents 11.8% of the portfolio. The portfolio has a diverse tenant base and as at 30 September 2013, had average occupancy (by area) of 94.7% and an average remaining lease term was 4.9 years.




Source: DEXUS (see Consortium Bidder's Statement)

DEXUS's industrial portfolio comprises 48 properties with a book value of $1.6 billion. The portfolio has a diverse mix of property type and is weighted towards the Sydney and Melbourne markets. The largest property (by value), Axxess Corporate Park, Mount Waverley, represents 11.7% of the portfolio. The portfolio has a diverse tenant base and as at 30 September 2013, had average occupancy (by area) of 94.3% and an average remaining lease term was 3.9 years.




Source: DEXUS (see Consortium Bidder's Statement)

At 30 June 2013 DEXUS had a $1.2 billion pipeline of development projects including five office projects ($858 million) and four industrial projects ($353 million) with an estimated the cost to complete these projects of $886 million. This pipeline included $55 million of completed projects for trading, $111 million of developments under construction, $556 million of future developments

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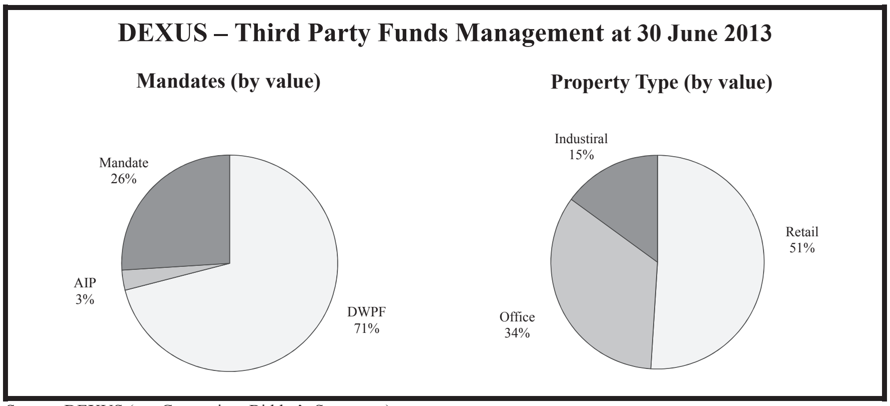
and $489 million of fund-through investments. DEXUS has also identified $142 million of development projects related to the value add and repositioning of four office and industrial assets.

***Third Party Funds Management***

DEXUS's $6.1 billion third party funds management operations provide funds management, asset management and development management services to:

- DEXUS Wholesale Property Fund ("DWPF"), a $4.3 billion open-ended unlisted diversified wholesale fund;
- a $1.6 billion Australian property portfolio mandate; and
- the Australian Industrial Partnership ("AIP"), a joint venture held 50/50 with the National Pension Service of Korea which was established in October 2012.

DEXUS is seeking to expand its third party funds management business. During FY13 it increased AUM by $0.5 billion following the establishment of AIP and acquisitions by DWPF.




Source: DEXUS (see Consortium Bidder's Statement)

DEXUS also undertakes third party developments and had a $1.6 million development pipeline at 30 June 2013 comprising office and industrial developments ($77 million), retail developments ($1.1 billion) and fund-through investments ($0.5 billion).

### 4.3 Financial Performance and Distributions

The financial performance of DEXUS for the five years ended 30 June 2013 is summarised below:

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| DEXUS – Financial Performance ($ millions) | | | | | |
|---|---|---|---|---|---|
| | Year ended 30 June | | | | |
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| **Operating EBIT** | | | | | |
| Office | 246.8 | 245.1 | 255.2 | 289.9 | 317.4 |
| Industrial | 109.2 | 109.9 | 116.4 | 120.0 | 117.1 |
| Management operations | 21.0 | 6.1 | 3.5 | 26.2 | 22.0 |
| Group corporate and asset management expenses | (34.5) | (29.2) | (33.4) | (47.3) | (38.2) |
| **Operating EBIT – continuing operations** | **342.5** | **331.9** | **341.7** | **388.8** | **418.3** |
| Non core and discontinued operations | 172.0 | 129.4 | 95.6 | 79.1 | 25.0 |
| **Operating EBIT[52]** | **514.5** | **461.3** | **437.2** | **467.9** | **443.3** |
| Finance costs (net) | (158.5) | (136.4) | (105.3) | (132.3) | (111.2) |
| Incentive amortisation and rent straight lining | 30.3 | 27.5 | 28.6 | 31.7 | 30.5 |
| Other | 37.5 | (2.4) | (2.4) | 0.5 | 2.8 |
| **FFO[53]** | **423.8** | **350.0** | **358.0** | **367.8** | **365.4** |
| Changes in fair value of investment properties | (1,644.5) | (222.6) | 180.7 | 67.9 | 218.4 |
| Changes in fair value of derivatives | (243.7) | (48.2) | 44.2 | (102.1) | (17.7) |
| Profit/(loss) on sale of investment properties | (2.4) | (63.0) | 7.1 | (114.3) | (43.9) |
| Incentive amortisation and rent straight lining | (30.3) | (27.5) | (28.6) | (31.7) | (30.5) |
| Other | 38.0 | 42.7 | (8.4) | (6.5) | 22.8 |
| **Profit attributable to DEXUS securityholders** | **(1,459.1)** | **31.4** | **553.0** | **181.1** | **514.5** |
| ***Statistics*** | | | | | |
| *Basic earnings per stapled security* | *(39.38)¢* | *0.66¢* | *11.44¢* | *3.75¢* | *11.03¢* |
| *FFO per stapled security* | *10.43¢* | *7.30¢* | *7.40¢* | *7.65¢* | *7.75¢* |
| *Distribution per stapled security* | *7.30¢* | *5.10¢* | *5.18¢* | *5.35¢* | *6.00¢* |
| *Payout ratio (FFO basis)* | *70%* | *70%* | *70%* | *70%* | *77%* |
| *Interest cover[54]* | *3.3x* | *3.4x* | *4.2x* | *3.5x* | *4.0x* |

Source: DEXUS and Grant Samuel analysis

Analysis of DEXUS's historical performance is made difficult by recent restructuring and changes in how earnings are reported. In the table, Grant Samuel has attempted to present the historical results on the same basis as adopted by DEXUS in FY13. However, there are uncertainties in the analysis in the periods prior to FY12 due to prior disclosure formats (e.g. EBIT from management operations). Nevertheless, the following factors are important when considering the historical performance of DEXUS:

- the office operating EBIT reflects the earnings of the Australian and New Zealand office property portfolio. Earnings from these assets increased in FY12 following the completion of the Bligh and Albert Street developments and due to like-for-like earnings growth of 5.4%. In FY13, earnings reflect part year contributions from acquisitions and like-for-like income growth of 1.8%;
- the industrial operating EBIT reflects the earnings of the Australian industrial property portfolio only and in FY13 like-for-like income growth was 1.1%;
- non-core and discontinued operations includes the earnings of all United States and European industrial property and non core Australian assets;
- earnings from the management operations have increased in recent years as a result of $10 million in cost savings achieved through a business restructure implemented in FY12 and 9.5% growth in third party FUM in FY13;
- group corporate expenses in FY13 were $25.2 million and costs associated with the provision of asset management services to DEXUS owned properties were $13 million. Management expense ratio[55] for FY13 was 0.53%;

52 Operating EBIT is earnings before net finance costs, tax, fair value adjustments, profit/(loss) on sale of investment properties, incentive amortisation and rent straight lining and other items.

53 Calculated as operating EBIT after finance costs (net) and before incentive amortisation and rent straight line and other items. The definition adopted by DEXUS differs from that recommended by the PCA in that no adjustment is made for the amortisation of rent free periods. On the PCA definition DEXUS's FFO for FY13 would have been $388.2 million. DEXUS is to adopt the PCA definition of FFO from 1 July 2014.

54 Interest cover is operating EBIT divided by finance costs (net).

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- as a result of the changed market conditions following the global financial crisis, DEXUS sustained substantial writedowns in the book value of its investment property portfolio in FY09 and FY10; and
- the decrease in FFO per security in FY10 reflects the impact of a $749 million equity raising in April 2009.

DEXUS pays distributions half yearly for the periods ending 31 December (payable in February) and 30 June (payable in August). Distributions to securityholders paid from DEXUS Office Trust, DEXUS Diversified Trust and DEXUS Industrial Trust may include income, discounted capital gains, tax deferred amounts (i.e. an amount paid out of the excess of operating income of the trust over the net income for tax purposes), capital gains tax concessional amounts and foreign income (if any). DEXUS Operations Trust is taxed as a public company trading trust (i.e. effectively treated as a company for tax purposes) and therefore distributions may be franked to the extent that franking credits are available.

From FY09 to FY12 DEXUS aimed to distribute 70% of FFO[56]. As a result of lower capital expenditure requirements following the sale of the United States central portfolio and completion of the office portfolio's NABERS[57] upgrade program in FY12, DEXUS amended its distribution policy and now aims to distribute between 70% and 80% of FFO, with the expectation of an average payout ratio over time of around 75% of FFO.

***Outlook***

DEXUS upgraded its FY14 guidance on 10 December 2013 to reflect the on market buyback undertaken in August/September 2013 and the net impact of DEXUS's 14.91% investment in CPA. Guidance was revised to FFO per security of 8.29 cents per stapled security and distribution per security to 6.24 cents. This guidance is based on a 75% distribution payout ratio and assumes:

- 2.5-3.5% like-for-like net operating income from its office and industrial portfolios;
- around $4 million in trading profits;
- a cost of funds of 6% slightly below FY13; and
- the CPA distribution, net of funding costs, for the six months ended 31 December 2013 relating to DEXUS's 14.91% interest in CPA.

55 Calculated as group corporate and asset management expenses divided by Australia FUM.

56 Prior to FY09 DEXUS aimed to distribute 100% of trust operating earnings, 100% of funds management earnings and up to 100% of development profits.

57 NABERS = National Australian Built Environment Ratings System

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### 4.4 Financial Position

The financial position of DEXUS as at 30 June 2013 is summarised below:

| DEXUS - Financial Position ($ millions) | |
|---|---|
| | **As at 30 June 2013** |
| Cash | 14.5 |
| Receivables and prepayments | 51.1 |
| Inventories | 252.9 |
| Investment property portfolio | 6,085.0 |
| Investment in associates | 906.8 |
| Intangible assets | 243.7[58] |
| Derivative financial instruments | 140.2 |
| Deferred tax assets | 39.4 |
| Plant and equipment (net) | 8.8 |
| Other assets | 1.4 |
| Discontinued operations held for sale | 8.8[59] |
| **Total assets** | **7,752.6** |
| Payables | (95.1) |
| Distribution payable | (146.2)[60] |
| Interest bearing liabilities | (2,167.1) |
| Derivative financial instruments | (101.2) |
| Employee provisions | (34.5) |
| Deferred tax liabilities | (12.1) |
| Other liabilities | (4.6) |
| Discontinued operations held for sale | (0.1)[59] |
| **Total liabilities** | **(2,560.9)** |
| **Net assets** | **5,191.7** |
| ***Statistics*** | |
| *Stapled securities on issue at period end (million)* | *4,702.0* |
| *NTA per stapled security* | *$1.05* |
| *Gearing[61]* | *29.0%* |

Source: DEXUS and Grant Samuel analysis

Inventories comprise land and properties held for resale which are recognised at the lower of cost and net realisable value.

DEXUS's investment property portfolio has a total book value of $6,085 million and comprises 71 properties (three of which are held under leasehold title) with a total book value of $5,900.7 million, non core international properties ($107.4 million) and $76.9 million in development properties under construction as future investment properties. Investment properties are valued in accordance with the constitutions of each trust by independent, registered valuers. Development properties held as investment properties are valued at market value on completion less cost to complete and including an adjustment for profit and risk. The book value at 30 June 2013 includes additions/disposals since last valuation date (including capital expenditure and lease incentives). Since 30 June 2013, valuations have been competed for nine properties (six office and three industrial properties) resulting in a value uplift of $75.8 million and three industrial properties have been sold for total proceeds of $78.7 million.

Investments in associates include:

58 Intangible assets primarily relate to management rights recognised on the acquisition of the remaining 50% of DB RREEF Holdings Pty Limited in February 2008.

59 Includes remaining European assets.

60 The distribution for the six months ended 30 June 2013 was paid to securityholders on 30 August 2013.

61 Gearing is interest bearing liabilities (excluding deferred borrowing costs and including the currency impact of cross currency swaps) less cash divided by total assets excluding intangibles, derivative financial instruments, deferred tax assets and cash.

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| DEXUS – Investment in Associates | | | |
|---|---|---|---|
| **Entity** | **Ownership (%)** | **Property (ownership interest)** | **Book Value ($ million)** |
| Bent Street Trust | 33 | 1 Bligh Street, Sydney (100%) | 248.3 |
| DEXUS Creek Street Trust | 50 | 12 Creek Street, Brisbane (100%) | 127.6 |
| DEXUS Martin Place Trust | 50 | 39 Martin Place, Sydney (100%) | 79.8 |
| Grosvenor Place Holdings Trust | 50[62] | 225 George Street, Sydney (50%) | 289.1 |
| Site 6 Homebush Bay Trust | 50[62] | 4 Dawn Fraser Ave, Sydney Olympic Park (100%) | 37.1 |
| Site 7 Homebush Bay Trust | 50[62] | 2 Dawn Fraser Ave, Sydney Olympic Park (100%) | 50.3 |
| DEXUS 480 Q Holding Trust | 50 | 480 Queen Street, Brisbane (100%) | 44.5 |
| DEXUS Kings Square Trust | 50 | Kings Square, 376 Wellington Street, Perth (100%) | 30.1 |
| **Total** | | | **906.8** |

Source: DEXUS and Grant Samuel analysis

As 30 June 2013 DEXUS's interest bearing liabilities comprised capital market instruments and bank facilities and had a weighted average maturity of approximately 5.4 years:

| DEXUS – Interest Bearing Liabilities at 30 June 2013 ($ millions) | | | | |
|---|---|---|---|---|
| **Facility Type** | **Currency** | **Facility Limit** | **Amount Drawn** | **Maturity Date** |
| Bank debt facilities | Multi-currency | 1,527.4 | 1,189.6 | Jan 15 to Feb 18 |
| Medium term notes | A$ | 580.0 | 580.0 | Jul 14 to Sep 18 |
| US senior notes (144A) | US$ | 268.8 | 268.8 | Mar 2021 |
| US senior notes (USPP) | US$ | 140.2 | 140.2 | Dec 14 to Mar 17 |
| | | **2,516.4** | **2,178.6** | |
| Capitalised borrowing costs | | - | (11.5) | |
| **Total** | | **2,516.4** | **2,167.1** | |

Source: DEXUS and Grant Samuel analysis

Since 30 June 2013, drawn interest bearing liabilities have decreased by $78.7 million as a result of assets sales but increased by $75.3 million to reflect the security buyback program.

On 16 December 2013, DEXUS announced that it had priced a further $225 million of US senior notes with settlement expected in February 2014. The proceeds will be utilised to fund DEXUS's ongoing financing requirements including fund-through developments at 480 Queen Street in Brisbane and Kings Square in Perth.

DEXUS targets gearing in the range of 30% to 40%. It has a long term credit rating from S&P of "BBB+" and from Moody's of "Baa1". Following announcement of the Consortium's initial proposal on 11 October 2013, S&P placed DEXUS's long term rating on credit watch with positive implications (i.e. the rating may be affirmed or raised to "A-") and Moody's placed its rating on review for possible upgrade. Subsequent to the announcement of the DEXUS Offer on 11 December 2013, S&P has advised the revised offer has no impact on its view and Moody's has confirmed its "Baa1" rating with a developing outlook.

At 30 June 2013 DEXUS disclosed contingent liabilities of $1.0 million in respect of developments and contracted capital expenditure commitments of $58.5 million for which no provision had been made.

### 4.5 Capital Structure and Ownership

DEXUS has 4,628,228,426 stapled securities on issue[63]. At the last reported date (16 August 2013, which was prior to the recent securities buybacks), DEXUS had 18,761 registered securityholders. At that time the top ten registered securityholders accounted for approximately 88% of securities on issue and were principally institutional nominee or custodian companies. DEXUS's retail

62 The other 50% is held by CPA.

63 DEXUS commenced a $200 million on market securities buyback program on 16 April 2012. It decided not to extend the buyback on 16 April 2013 having completed 64% ($128.5 million) of the targeted $200 million. On 2 July 2013 another buyback program for up to 5% of stapled securities was initiated. From 19 August 2013 to 23 September 2013, 73.7 million securities were bought back under the program.

investor base is significant with 48% of securityholders holding 10,000 or less securities although this represented less than 1% of units on issue.

DEXUS has received substantial securityholder notices as follows:

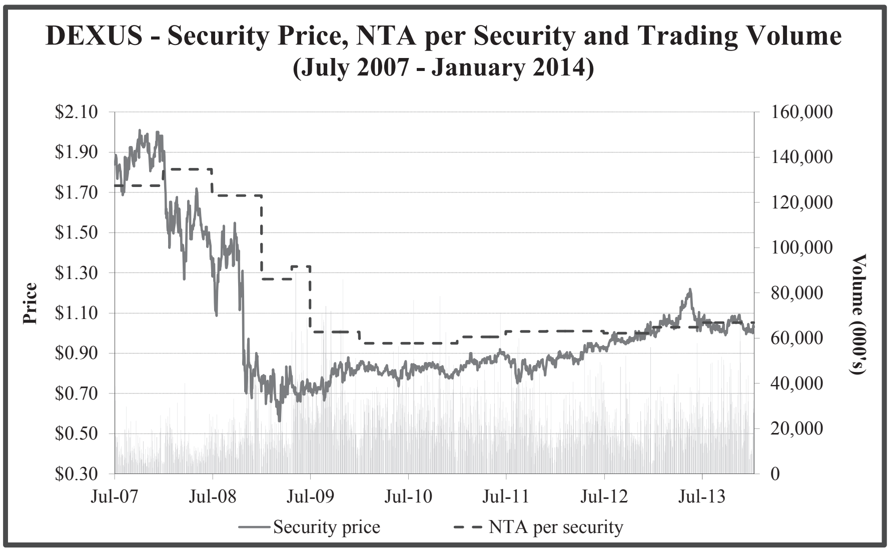
| DEXUS – Substantial Securityholders | | | |
|---|---|---|---|
| Securityholder | Date of Notice | Number of Securities | Percentage |
| The Bank of New York Mellon Corporation | 24 December 2013 | 386,631,169 | 8.35% |
| CBRE Clarion Securities LLC | 16 October 2013 | 328,535,162 | 6.99% |
| Vanguard Group | 12 November 2010 | 291,537,480 | 6.03% |
| Blackrock Investment Management | 17 December 2009 | 275,099,167 | 5.77% |

Source: IRESS

As part of DEXUS's long term incentive plan, executives are granted performance rights to DEXUS securities. Performance rights are converted into DEXUS securities upon achievement of certain performance conditions. There are 6,883,254 performance rights on issue.

### 4.6 Share Price Performance

The following graph illustrates the movement in the DEXUS security price, NTA per stapled security and trading volumes since 1 July 2007:




Source: IRESS
Note: Stapled security prices and NTA per security on an adjusted basis reflecting the 2 for 7 non-renounceable entitlements offer announced on 21 April 2009.

The DEXUS security price increased from around $1.26 in October 2005 to reach a high of $2.19 in October 2007 (on an unadjusted basis) reflecting growth in its property valuations and a relatively buoyant economy. During this period DEXUS securities traded at around NTA per stapled security. However, consistent with most listed REITs, DEXUS's securities have generally traded at a discount to NTA since December 2007. The discount peaked for DEXUS in November 2008 (at around 53%) reflecting the difficult market conditions faced by all REITs as a result of the global financial crisis, the lag in property valuations in a declining market, DEXUS's exposure to European and United States assets and increased gearing as a result of the depreciation of the Australian dollar.

Although DEXUS raised $300 million via an institutional placement in December 2008 (at $0.77 per security) and in February 2009 obtained securityholder approvals which maximised its capital

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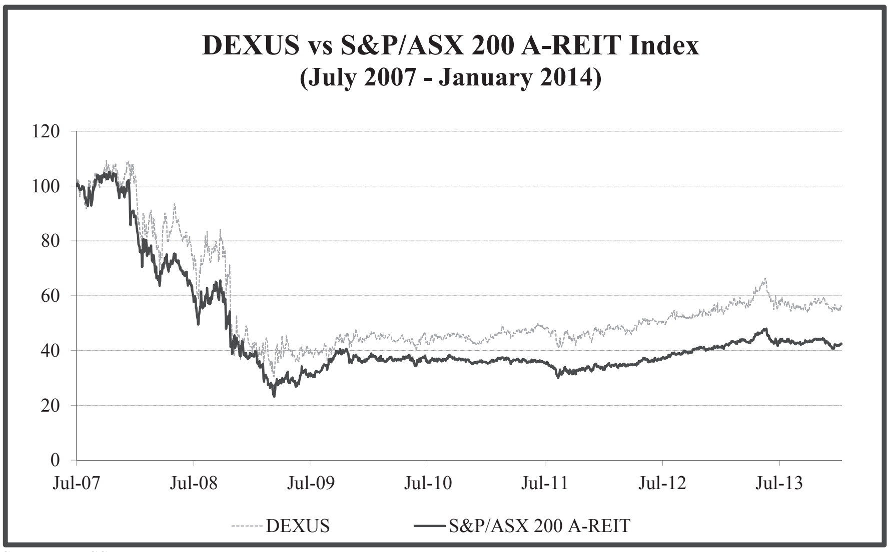
management flexibility, the DEXUS security price fell to a record low of $0.54 in March 2009 (on an unadjusted basis). Following the announcement in April 2009 of a $600 million asset sale program and $749 million equity raising (at an unadjusted price of $0.65 per security) the DEXUS security price (in line with the REIT sector) gradually increased to trade broadly in the range $0.80-0.85 (on an adjusted basis), albeit still around 10-20% below NTA. Since late 2011, as equity markets and property valuations stabilised, the security price has strengthened, supported by security buyback programs. DEXUS traded at a premium to NTA in the six months to 30 June 2013 (peaking in May 2013 prior to declining with a general sharemarket correction) primarily reflecting the final exit from overseas assets and expansion of its third party management platform.

In the month prior to 24 July 2013 (the last day of trading prior to announcement of its 14.91% relevant interest in CPA), DEXUS's VWAP was $1.05, equivalent to NTA per security as at 30 June 2013. The closing price on 24 July 2013 was $1.03, a 1.9% discount to NTA. From 25 July 2013 until 10 January 2014, DEXUS stapled securities have traded in the range $0.98-1.11, at a VWAP of $1.04, a 1.0% discount to NTA per security. The security price closed at $1.03 on 10 January 2014.

DEXUS is a top 50 ASX listed entity, is a member of all major indices and has no limitations on free float. It is a liquid stock and average weekly volume over the twelve months prior to the announcement of its 14.91% relevant interest in CPA represented approximately 2.1% of average securities on issue or annual turnover of around 108% of total average issued capital.

At 10 January 2014 DEXUS's weighting in the S&P/ASX 200 A-REIT Index, S&P/ASX 50 Index, S&P/ASX 200 Industrials Index indices was approximately 5.39%, 0.42% and 0.43%% respectively. The performance of DEXUS's security price has generally mirrored the S&P/ASX 200 A-REIT Index since 1 July 2007 although from September 2009 to July 2011 it outperformed probably as a result of initiatives to reduce borrowings and its exposure to United States and European assets:




Source: IRESS

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## 5 Value of the Consideration under the DEXUS Offer

### 5.1 Summary

Under the DEXUS Offer, CPA unitholders can elect between two consideration alternatives (i.e. the Original Consideration and the Alternative Consideration) which comprise different proportions of cash and DEXUS stapled securities.

Grant Samuel has attributed a value to the scrip component of the consideration based on a value range for DEXUS stapled securities of $1.00-1.05. Including the cash component of the consideration, the value of the consideration to CPA unitholders under either consideration alternative is $1.23-1.25 per unit (rounded to two decimal places) as follows:

**Value of Consideration Offered under DEXUS Offer**

| Component | Original Consideration | Alternative Consideration |
|---|---|---|
| Value per DEXUS security | $1.00-1.05 | $1.00-1.05 |
| Exchange ratio | 0.4516 | 0.3801 |
| Value of scrip component | $0.45160-0.47418 | $0.38010-0.39911 |
| Cash component | $0.7745 | $0.8496 |
| **Total value per CPA Unit** | **$1.22610-1.24868** | **$1.22970-1.24871** |

The value of the scrip component of the consideration will vary with movements in the DEXUS stapled security price. Accordingly, until the securities under the DEXUS Offer are issued, CPA unitholders who accept the DEXUS Offer are exposed to events or other factors that impact the DEXUS security price. The actual value of the consideration could therefore ultimately exceed, or be less than $1.23-1.25 per CPA unit. Depending on the circumstances, significant (and sustained) movements in the DEXUS stapled security price could change the evaluation of the DEXUS Offer.

### 5.2 Approach

The DEXUS Offer involves a change of control of CPA. For the purposes of takeover analysis, the relevant test for CPA unitholders is the expected market value of the DEXUS stapled securities plus cash received as consideration. This involves an estimation of the trading price for DEXUS after the DEXUS Offer is implemented (rather than a pre bid price).

It is normal practice to use the post announcement market price as the starting point for estimating the value of an offer with a scrip component. An alternative method is to estimate the underlying value of the combined entity and then to apply a discount to reflect a portfolio interest. However, access to the detailed financial and operational information (such as earnings and operational forecasts or asset plans) of both parties is required to undertake such a fundamental analysis of the value of the consideration. Furthermore, the consensus view of a well traded market is likely to be a more reliable estimate than that of a single external observer. Market prices (particularly for large entities such as DEXUS that enjoy high levels of market liquidity and are closely followed by a wide range of market analysts) usually incorporate the influence of all publicly available information on an entity's prospects, future earnings and risks.

Grant Samuel has had regard to the market price of DEXUS and addressed the following questions:

- is there any reason why the market price is not a true reflection of the fair market value of DEXUS stapled securities? For example, there could be:
  - important information about the entity and its business/assets which would affect the security price but is not in the public domain;
  - mispricing by the market; and/or
  - abnormal trading activity in DEXUS stapled securities; and
- will the proposed transaction, if implemented, have a material impact on DEXUS's financial metrics, growth prospects, risk profile or other factors that would be likely to result in a change in the security price?

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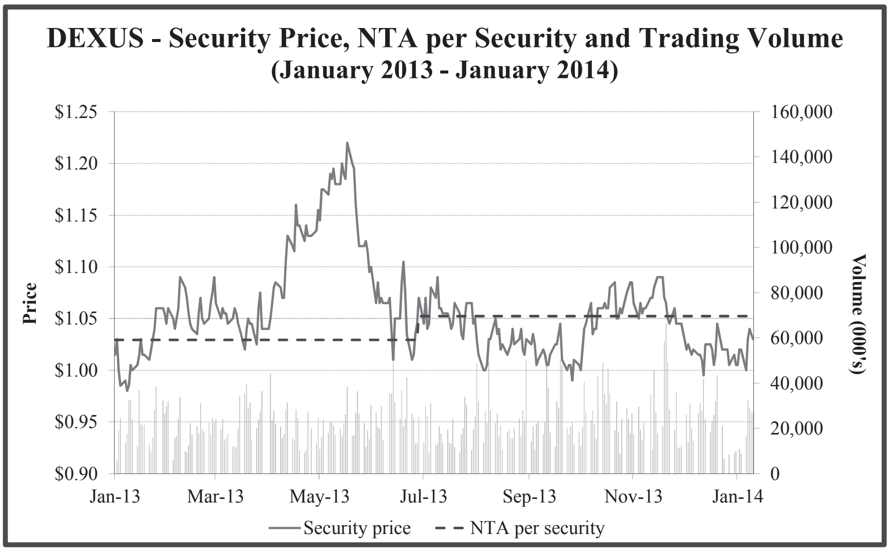
In considering these questions, Grant Samuel has:

- analysed the recent trading in DEXUS stapled securities;
- reviewed broker analyst research on DEXUS;
- analysed the impact of the DEXUS Offer on DEXUS's key financial metrics; and
- considered the implications for DEXUS's security price of acquiring less than 100% of CPA.

### 5.3 Analysis of Sharemarket Trading in DEXUS Securities

DEXUS is a liquid stock. It is a top 50 ASX listed entity and is a member of major indices. DEXUS's security price performance since July 2007 is discussed in Section 4.6 of this report.

Trading in DEXUS stapled securities between 1 January 2013 and 24 July 2013 (the last day of trading prior to announcement of its 14.91% relevant interest in CPA) was in the range $0.97-1.24, at a VWAP of $1.07. DEXUS securities generally traded at a premium to NTA during this period (peaking in May 2013 prior to declining with a global sharemarket correction) reflecting the realisation of its international assets, expansion of its third party management platform and the on-market securities buyback program. The closing price on 24 July 2013 was $1.03, a 1.9% discount to reported NTA per security:




Source: IRESS

Since announcement of the 14.91% relevant interest in CPA on 25 July 2013, DEXUS securities have traded in the range of $0.98-1.11, at a VWAP of $1.04, and closed at $1.03 on 10 January 2014, a 1.9% discount to reported NTA per security. Over the shorter period since announcement of the DEXUS Offer on 11 December 2013, DEXUS securities have traded in the range of $0.98-1.05, at a VWAP of $1.01. This lower trading range may reflect that DEXUS has not acquired any securities on market since 23 September 2013 and that its securities commenced trading ex-distribution (3.07 cents per security) on 23 December 2013. However, following the announcement on 6 January 2014 of the sale of CPA properties to GWOF under the MOU, the DEXUS security price has risen by around 3%.

The important question is whether the recent performance and current price reflect the rational view of a well informed market or, alternatively, whether DEXUS is out of line with its peers or the market.

In addressing this issue the following factors have been considered.

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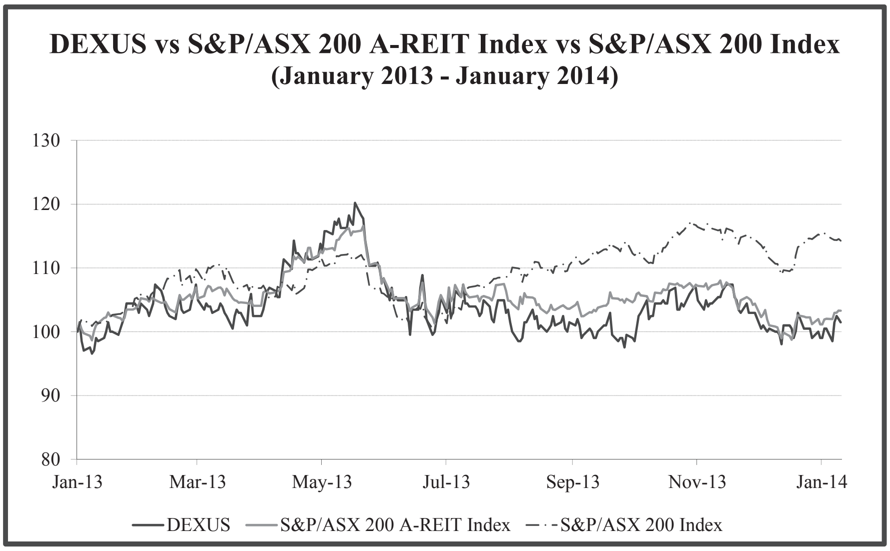
***DEXUS Compared to its Peers and the Market***

The following graph illustrates the performance of DEXUS stapled securities since 1 January 2013 relative to the S&P/ASX 200 A-REIT Index and S&P/ASX 200 Index:




Source: IRESS

This graph shows that until the announcement of its 14.91% relevant interest in CPA on 25 July 2013, DEXUS stapled securities broadly mirrored movements in the indices with short periods of under and over performance. DEXUS securities initially outperformed the S&P/ASX 200 A-REIT Index following the announcement of its interest in CPA but, in the absence of any details on its intentions in relation to CPA, drifted lower, underperforming its REIT peers (with greater volatility). On announcement of the Consortium's initial proposal on 11 October 2013, the security price outperformed the index and, since then, has generally traded in line with the REIT sector.

Since June 2013 both DEXUS and the REIT sector have underperformed relative to the overall market (i.e. down by around 1% in comparison to the market which has increased by 12.8% in the period). In addition, although the overall stockmarket has recovered most of the correction that commenced at the beginning of November (being only 1.8% down), the REIT sector remains 4.8% lower and DEXUS 3.3% lower over the same period.

DEXUS's market rating relative to its REIT peers (recognising that if DEXUS acquires 100% of CPA and no assets are sold in accordance with the MOU, its portfolio composition would be office (83%) and industrial (17%) and it will have a significant funds and asset management operations across both of these sectors as well as the retail sector) can be illustrated as follows:

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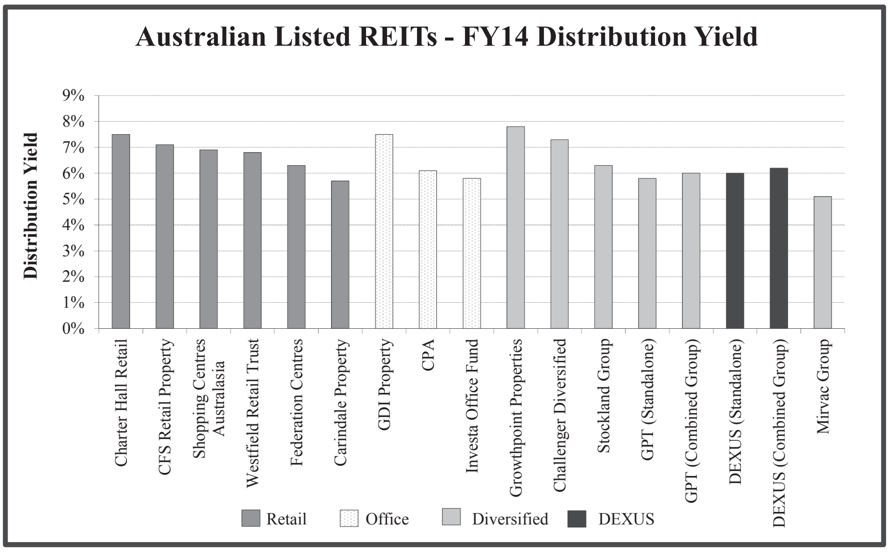



Source: Grant Samuel analysis (see Appendix 2)

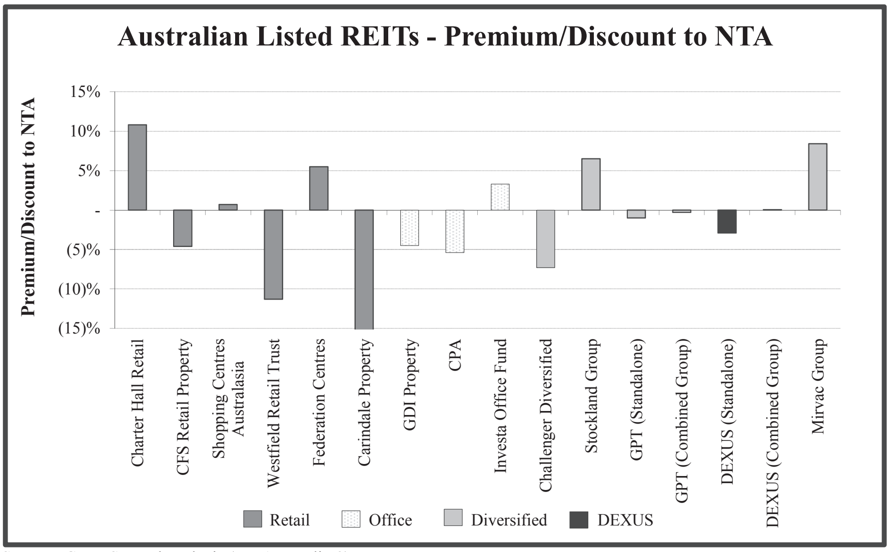
Notes: (1) Based on sharemarket prices as at 10 January 2014 except for CFS Retail Property and CPA which are shown as at 23 July 2013 (the day before announcement of their respective internalisation proposals) and Westfield Retail Trust which is shown as at 3 December 2013 (the day before announcement of the proposed restructure), DEXUS (standalone) which is shown as at 24 July 2013 (the day before announcement of its 14.91% relevant interest in CPA) and GPT (standalone) which is shown as at 18 November 2013 (the day before announcement of the GPT Offer).

(2) All of the listed entities have a 30 June year end, except GPT and Westfield Retail Trust which have 31 December year ends (i.e. for these entities FY14 equates to year ending 31 December 2014).

(3) REITs grouped by sector. Westfield Group (retail) and Goodman Group (industrial) have been excluded from the graph because of the scale of their property development businesses and their international operations. Cromwell Property Group (office) and Brookfield Prime Property Fund (office) excluded due to relatively high gearing.

(4) GPT (Combined Group) yield based on pro forma distribution for 2014 of 21.7 cents per stapled security.

(5) DEXUS (Combined Group) yield based on pro forma distribution for FY14 of 6.35 cents per security (i.e. 100% scenario, Original Consideration, without asset sales)




Source: Grant Samuel analysis (see Appendix 2)

Notes: (1) NTA based on last reported balance sheets at 30 June 2013 excluding deferred tax liabilities but including provision for distribution. Adjustments made for acquisitions, disposals, capital raisings and share buybacks, as appropriate.

(2) Growthpoint Properties excluded from the graph as it is trading at a substantial premium to NTA reflecting a range of factors including a restricted free float, recent significant growth and relatively high payout ratio and gearing.

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DEXUS is an internally managed REIT with a diversified property portfolio and a significant real estate management platform. None of the listed REITs is directly comparable to DEXUS:

- Charter Hall Retail, CFS Retail Property, Westfield Retail Trust, Carindale Property, Investa Office Fund, CPA and Challenger Diversified are all externally managed REITs and do not have extensive third party funds and asset management activities. They are generally trading at a discount to NTA (except for Charter Hall Retail which is trading at a premium to NTA possibly as a result of the non-discretionary spending nature of its shopping centre portfolio and the divestment program for its European assets);
- although internally managed, Mirvac Group and Stockland Group are not comparable due to the scale of their property development and third party funds management activities as well as the range of property categories in which they are involved; and
- given DEXUS's diversified portfolio, sector specific REITs are less directly relevant comparable entities.

GPT is most comparable to DEXUS. Both are internally managed diversified REITs and are focused on growing their third party funds management platform (the scale of which is similar). GPT's property portfolio comprises retail, office, logistics and business park assets while DEXUS's portfolio comprises office and industrial assets (although it manages a large portfolio of retail assets).

Based on the above analysis, there is no evidence to suggest that DEXUS is trading on a basis out of line with the market or its peer group.

***Broker Target Prices***

At its closing price on 10 January 2014 of $1.03, DEXUS is trading below broker estimates of its 12 month target price:

**DEXUS – Broker Target Prices as at 10 January 2014**

| Broker | Date of Last Report | Target Price[64] |
|---|---|---|
| Broker 1 | 12 December 2013 | $1.17 |
| Broker 2 | 11 October 2013 | $1.11 |
| Broker 3 | 20 November 2013 | $1.22 |
| Broker 4 | 11 October 2013 | $1.11 |
| Broker 5 | 19 August 2013 | Restricted |
| Broker 6 | 7 October 2013 | $1.13 |
| Broker 7 | 11 November 2013 | $1.19 |
| Broker 8 | 19 August 2013 | Restricted |
| Broker 9 | 10 December 2013 | $1.15 |
| Broker 10 | 19 August 2013 | Restricted |
| Broker 11 | 22 October 2013 | Restricted |
| Broker 12 | 12 December 2013 | $1.15 |
| Broker 13 | 19 August 2013 | $1.00 |
| Broker 14 | 19 August 2013 | Restricted |
| *Low* | | *$1.00* |
| *High* | | *$1.22* |
| ***Median*** | | ***$1.15*** |

Source: Brokers' reports and Grant Samuel analysis (see Appendix 1)

The review of DEXUS's target prices is made difficult by the number of brokers that are research restricted. Furthermore, a number of unrestricted brokers have not published research reports since DEXUS updated its FFO guidance on 10 December 2013 and none of the broker forecasts assume acquisition of CPA. Nonetheless, DEXUS is currently trading below broker target prices. While there is no clear conclusion that can be drawn from this analysis, at a minimum there is no evidence to suggest that DEXUS securities are currently overpriced.

[64] Brokers with research activity restricted as they are acting as advisers to either GPT, DEXUS or CPPIB.

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### *Liquidity*

DEXUS is a liquid stock with average weekly volume over the twelve months prior to announcement of its 14.91% relevant interest in CPA representing annual turnover of around 108% of total average issued capital. Average weekly volume and transactions for DEXUS securities since announcement of its 14.91% relevant interest in CPA on 25 July 2013 and prior periods is summarised below:

| DEXUS – Stapled Security Trading | | |
|---|---|---|
| **Period** | **Average Weekly Volume ('000)** | **Average Weekly Transactions** |
| 25 July 2013 to 10 January 2014 | 126,389 | 16,722 |
| 27 June 2013 to 24 July 2013 (four weeks prior to announcement of CPA interest) | 88,561[65] | 17,034 |
| 1 January 2013 to 24 July 2013 | 110,153[65] | 19,458 |
| 25 July 2012 to 24 July 2013 (year prior to announcement of CPA interest) | 100,969 | 16,118 |

Source: IRESS and Grant Samuel analysis

While the average weekly volume of securities traded has increased following the announcement of the 14.91% relevant interest in CPA, this is to be expected when a transaction is anticipated. Since July 2013 average weekly volumes in DEXUS securities are around 25% higher relative to trading in the prior year (even after adjusting for the buyback programs) while average weekly transactions are around 4% higher, implying more transactions of larger volume.

While the volume of trading activity in DEXUS securities has increased since the announcement of the 14.91% relevant interest in CPA, there is nothing to indicate any specific abnormal trading in DEXUS stapled securities.

### *Non Public Information*

Under ASX Listing Rules, DEXUS is required to keep the market informed of events and developments in a timely manner as they occur. Once DEXUS becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, it must inform the market of that information.

DEXUS announced its financial results for FY13 (which incorporated disclosure of subsequent events of note) on 19 August 2013, provided guidance for FY14 on 29 October 2013, upgraded its FY14 guidance on 10 December 2013 and provided guidance for FY14 (assuming a range of ownership levels for CPA) in the Consortium Bidder's Statement. Consequently, there is no reason to consider that any information relating to DEXUS's existing business that would have a material impact on its security price has not been publicly disclosed.

[65] DEXUS's trading volumes are typically higher in May and June and lower in July which is reflected in this analysis.

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### 5.4 Impact of DEXUS Offer

***Financial Implications***

The pro forma operational and financial implications for DEXUS of the acquisition of CPA (including underlying assumptions) are set out in the Consortium Bidder's Statement. Analysis is provided assuming a range of ownership interests in CPA following the DEXUS Offer (on a 100%, 50.1% or 30% basis) under the two consideration alternatives available to CPA unitholders (Original Consideration and Alternative Consideration).

The pro forma analysis based on the Original Consideration is summarised below:

**Pro Forma Impact of DEXUS Offer on Financial Parameters – Original Consideration**

| | DEXUS (actual) | Consortium Ownership Case | | | |
|---|---|---|---|---|---|
| | | 100% | | 50.1% | 30%[66] |
| | | Without Sales | With Sales[67] | | |
| ***Interest in CPA*** | | | | | |
| Bid Trust interest in CPA | | 100.0% | 100.0% | 50.1% | 15.1% |
| DEXUS's indirect interest in CPA (via Bid Trust) | | 50.0% | 50.0% | 25.05% | 7.55% |
| DEXUS's direct interest in CPA | | - | - | - | 14.9%[68] |
| **DEXUS's total interest in CPA** | | **50.0%** | **50.0%** | **25.05%** | **22.45%** |
| ***Securities on issue (million)*** | ***4,702.0*** | ***5,530.1*** | ***5,530.1*** | ***5,001.2*** | ***4,788.1*** |
| ***Weighted average securities (million)*** | ***na[69]*** | ***5,543.2*** | ***5,543.2*** | ***5,014.3*** | ***4,801.3*** |
| ***AUM as at 30 June 2013 ($million)*** | | | | | |
| AUM | 13,400 | 17,100 | 16,500 | 17,100 | na |
| Third party FUM | 6,100 | 8,000 | 7,700 | 8,900[70] | na |
| *Percentage of total* | *46%* | *47%* | *47%* | *52%* | *na* |
| ***Pro forma Financial Position[71] at 30 June 2013 ($ million)*** | | | | | |
| Total assets | 7,752.6 | 9,445.2 | 9,105.7 | 8,444.0 | 8,343.1 |
| Total liabilities | (2,560.9) | (3,436.5) | (3,097.0) | (2,946.0) | (3,049.9) |
| **Net assets of DEXUS securityholders** | **5,191.7** | **6,008.7** | **6,008.7** | **5.498.0** | **5,293.2** |
| NTA | 4,948.0 | 5,724.0 | 5,724.0 | 5,213.3 | 5,049.5 |
| *NTA per stapled security (diluted)* | *$1.05* | *$1.03* | *$1.03* | *$1.04* | *$1.05* |
| *Gearing[61]* | *29.0%* | *34.7%* | *na* | *33.4%* | *34.6%* |
| ***Pro forma FFO per Security Guidance (30 June 2014)*** | | | | | |
| FFO per stapled security | 8.29¢ | 8.46¢ | 8.34¢ | 8.61¢ | 8.36¢ |
| Distribution per stapled security | 6.24¢ | 6.35¢ | 6.26¢ | 6.46¢ | 6.27¢ |
| *Payout ratio* | *75%* | *75%* | *75%* | *75%* | *75%* |

Source: Consortium Bidder's Statement and Grant Samuel analysis

The pro forma analysis based on the Alternative Consideration is summarised below:

66 Under the Consortium Joint Bid Agreement only if Bid Trust acquires 35.1% of CPA units under the DEXUS Offer will DEXUS transfer its holding of 350 million CPA units into Bid Trust. Therefore, in the 30% case only 15.1% of CPA is acquired by Bid Trust (i.e. DEXUS has a 7.05% indirect interest in CPA) and the remaining 14.9% of CPA is held directly by DEXUS.

67 Grant Samuel analysis.

68 DEXUS has exercised its right under the forward contract with Deutsche Bank AG to take physical delivery of 350 million units in CPA on 24 January 2014 (unless the delivery obligation is postponed) which equates to a 14.91% interest. Analysis in the Consortium Bidder's Statement is based on the interest rounded down to one decimal place.

69 na = not available

70 Calculated by Grant Samuel assuming that 74.95% of CPA assets will be treated as third party FUM (i.e. 25.05% of CPA assets will be treated as part of DEXUS's investment property portfolio).

71 In all Consortium ownership cases, DEXUS equity accounts its interest in Bid Trust.

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**Pro Forma Impact of DEXUS Offer on Financial Parameters – Alternative Consideration**

| | DEXUS (actual) | Consortium Ownership Case | | | |
|---|---|---|---|---|---|
| | | 100% | | 50.1% | 30%[66] |
| | | Without Sales[67] | With Sales | | |
| ***Interest in CPA*** | | | | | |
| Bid Trust interest in CPA | | 100.0% | 100.0% | 50.1% | 15.1% |
| DEXUS's indirect interest in CPA (via Bid Trust) | | 50.0% | 50.0% | 25.05% | 7.55% |
| DEXUS's direct interest in CPA | | - | - | - | 14.9%[68] |
| **DEXUS's total interest in CPA** | | **50.0%** | **50.0%** | **25.05%** | **22.45%** |
| ***Securities on issue (million)*** | ***4,702.0*** | ***5,387.3*** | ***5,387.3*** | ***4,942.1*** | ***4,762.8*** |
| ***Weighted average securities (million)*** | ***na*** | ***5,400.4*** | ***5,400.4*** | ***4,955.3*** | ***4,776.0*** |
| ***AUM as at 30 June 2013 ($million)*** | | | | | |
| AUM | 13,400 | 17,100 | 16,500 | 17,100 | na |
| Third party FUM | 6,100 | 8,000 | 7,700 | 8,900[70] | na |
| *Percentage of total* | *46%* | *47%* | *47%* | *52%* | *na* |
| ***Pro forma Financial Position[71] at 30 June 2013 ($ million)*** | | | | | |
| Total assets | 7,752.6 | 9,445.2 | 9,105.7 | 8,444.0 | 8,343.1 |
| Total liabilities | (2,560.9) | (3,586.5) | (3,247.0) | (3,008.1) | (3,076.6) |
| **Net assets of DEXUS securityholders** | **5,191.7** | **5,585.8** | **5,858.8** | **5.435.9** | **5,226.5** |
| NTA | 4,948.0 | 5,574.1 | 5,574.1 | 5,022.8 | 5,151.2 |
| *NTA per stapled security (diluted)* | *$1.05* | *$1.03* | *$1.03* | *$1.04* | *$1.05* |
| *Gearing[61]* | *29.0%* | *na* | *33.9%* | *34.2%* | *34.9%* |
| ***Pro forma FFO per Security Guidance (30 June 2014)*** | | | | | |
| FFO per stapled security | 8.29¢ | 8.54¢ | 8.42¢ | 8.63¢ | 8.36¢ |
| Distribution per stapled security | 6.24¢ | 6.40¢ | 6.31¢ | 6.48¢ | 6.27¢ |
| *Payout ratio* | *75%* | *75%* | *75%* | *75%* | *75%* |

Source: Consortium Bidder's Statement and Grant Samuel analysis

This pro forma information indicates that the acquisition of CPA (whether on a 100%, 50.1% or 30% basis) has a material, but not transformative, impact in that it expands but does not fundamentally change DEXUS's operations. The acquisition has strategic benefits for DEXUS in that it:

- strengthens DEXUS's position as a leading owner and manager of prime grade office assets in Australia;
- expands DEXUS's real estate management platform;
- provides the opportunity to generate efficiencies and cost savings; and
- underpins future growth in earnings and distributions.

In this regard, at any ownership interest above 50.1%, DEXUS's AUM will initially increase to $17.1 billion (28% increase) but the mix of operations will differ. If all assets are sold in accordance with the MOU, DEXUS's AUM would increase to $16.5 million (23% increase). If the Consortium:

- acquires 100% of CPA, DEXUS will assume all funds and asset management services for CPA. If no assets are sold in accordance with the MOU, third party FUM will increase to $8.0 billion (31% increase) as CPPIB's interest in Bid Trust will represent third party fund management activities. DEXUS's investment property portfolio will initially increase to $9.1 billion (25% increase) and re-weight towards the office sector (83% from 78%) with the industrial sector declining to 17%;
- acquires 100% of CPA, DEXUS will assume all funds and asset management services for CPA. If all assets are sold in accordance with the MOU, third party FUM will increase to

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$7.7 billion (26% increase). DEXUS's investment property portfolio will increase to $8.8 billion (24% increase) and re-weight towards the office sector (82% from 78%) with the industrial sector declining to 18%; and

- acquires 50.1% of CPA, DEXUS will seek to assume all funds and asset management services for CPA, thereby increasing DEXUS's third party FUM to $8.9 billion (46% increase). DEXUS's investment property portfolio would increase to $8.2 billion (12% increase) and re-weight towards the office sector (but to a lesser extent) (81% from 78% with the industrial sector declining to 19%). However, the sector composition of DEXUS's AUM would be the same as on a 100% basis (with no asset sales).

However, if the Consortium only acquires a 30% interest in CPA (i.e. DEXUS ends up holding a 22.45% interest in CPA), DEXUS will seek to assume all funds and asset management services for CPA. On this basis, DEXUS's third party FUM would increase to $9.0 billion (47% increase). DEXUS's investment property portfolio would increase to $8.1 billion (11% increase) and re-weight towards the office sector (80% from 78%). If DEXUS is unable to assume the funds and asset management services for CPA, there would be no change to its AUM or FUM but its investment property portfolio would increase to $8.1 billion (reflecting its interest in CPA) and re-weight towards office (80% from 78%)[67].

The pro forma analysis indicates that:

- the acquisition is accretive to FFO per security and distribution per security under all Consortium ownership cases and either consideration alternative[72]. However, the Consortium's guidance assumes that the acquisition of CPA occurs on 1 July 2013 and, therefore, actual FY14 FFO per security and distribution per security will be less than presented;
- gearing increases from 29.0% but, in all Consortium ownership cases under either consideration alternative, within DEXUS's target gearing range of 30-40%; and
- NTA per security decreases by 1.9% (100% case), 1.0% (50.1% case) and nil (30% case).

As the DEXUS Offer is not subject to a minimum acceptance condition, it is possible that the Consortium could acquire an interest in CPA in the range of nil-100%. However, if the DEXUS Offer is withdrawn or lapses, DEXUS will still hold its 14.91% direct interest in CPA.

***Other Consequences***

At any ownership level in CPA above 50.1% (and at lower levels providing the Consortium replaces CMIL as responsible entity of CPA), the DEXUS Offer may trigger:

- change of responsible entity/change of control provisions in CPA's existing borrowings documentation (including derivative financial instruments) which may lead to early repayment of borrowings (including, in some instances, at a premium to face value) and/or the payment of additional fees to lenders by CPA;
- pre-emptive rights in favour of third parties over certain CPA co-owned properties; and
- rights of first refusal in favour of CBA to acquire the interest held by CPA in certain properties leased to CBA.

Although it could be said that the market did not have full information as to these matters until the release of the Target's Statement in relation to the GPT Offer on 24 December 2013:

- change of responsibility/change of control provisions are typical of borrowing documentation for REITs. In addition:

[72] Accretion metrics calculated by DEXUS relative to FY14 guidance excluding the net impact of the CPA distribution for the six months ending 31 December 2013 which is different to the FY14 guidance in the table above (i.e. relative to FFO per security for FY14 of 8.19 cents and distribution per security of 6.14 cents).

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- the terms and conditions of CPA's convertible notes were set out in a prospectus dated 4 December 2009 released to the market and, as appropriate, CPA releases information to the market concerning the convertible notes (including changes to the conversion price);
- although the terms and conditions of CPA's US medium term notes are not public, change of responsible entities/change of control provisions incorporating "make whole" payments are a feature of this form of debt issue;
- the Consortium was given access to CPA information (including borrowing documentation) for a due diligence review prior to making the DEXUS Offer; and
- the Consortium has stated that it has funding commitments such that it can fund the cash component of the consideration, associated transaction costs and, if required, refinance CPA's existing debt;

■ co-ownership arrangements for properties typically include pre-emptive rights. In this case, the price to be received by CPA would be either market value or a price set by CPA; and

■ the CBA rights of first refusal have previously been disclosed by CPA to the market. In this case, the price to be received by CPA would be a price set by CPA or, if this price is disputed, a price determined by a jointly appointed valuer.

In any event, under the Facilitation Agreement if the DEXUS Offer closes and the Consortium holds voting power of at least 50.1% in CPA, CBA has agreed to:

■ provide relevant consents where it acts as a lender or counterparty to CPA;

■ not exercise its rights of first refusal as lessee to acquire CPA's interest in certain properties; and

■ assist in obtaining required third party co-owner, lender and counterparty consents.

***Partial Ownership of CPA***

The DEXUS Offer has no minimum acceptance condition. Therefore, if the DEXUS Offer becomes unconditional, the Consortium could acquire an interest in CPA in the range of nil-100%. However, as a result of its existing direct interest in CPA, DEXUS could end up with an interest in CPA in the range of 14.91-50%. In this context:

■ for ownership levels above 14.91% where CMIL has been replaced as responsible entity of CPA by a DEXUS entity, DEXUS will equity account its interest in CPA;

■ where the Consortium acquires no interest in CPA, DEXUS will account for its 14.91% direct interest in CPA as an investment. However, if CMIL has been replaced as responsible entity of CPA by a DEXUS entity, DEXUS may equity account this 14.91% interest;

■ for ownership levels less than 50.1% in CPA (i.e. the Facilitation Agreement is terminated) but where CMIL has been replaced as responsible entity of CPA by a DEXUS entity, DEXUS will:
  - face integration and transition risks due to the absence of CBA's assistance. Consequently, there may be unanticipated issues or costs; and
  - experience inefficiencies and additional costs that may arise from owning less than 50.1% of an ASX listed entity;

■ the pro forma operational and financial implications for DEXUS of partial ownership of CPA depend on the actual level of ownership interest but, as summarised above, are not materially different to that on a 100% basis; and

■ DEXUS's interest in CPA will be subject to the provisions of the Unitholders Agreement governing the operations and management of Bid Trust. These impact how income is received by DEXUS from Bid Trust and how DEXUS can deal with its interest in Bid Trust. In particular:
  - in the two years following the close of the DEXUS Offer, where Bid Trust holds less than 50% of CPA units, DEXUS may be required to acquire all of the CPA units held

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by Bid Trust under a Put/Call Option arrangement. The cost to DEXUS should the first of two options be exercised after the first anniversary of closure of the DEXUS Offer is capped at $600 million with the acquisition of any balance of CPA units subject to the exercise of a second option after the second anniversary. DEXUS has stated that it anticipates that it would be in a position to complete any such transaction; and

- there are detailed arrangements if a unitholder wants to exit its interest in Bid Trust (including pre-emptive rights in certain circumstances). These arrangements differ depending on the interest held in CPA units by Bid Trust and the time period after close of the DEXUS Offer.

### 5.5 Conclusion

Grant Samuel's judgement is that a DEXUS stapled security price of $1.00-1.05 is a reasonable estimate in current market conditions of the ex-distribution security price if DEXUS succeeds in acquiring 100% of CPA. This range takes into account the recent performance of DEXUS stapled securities, the estimated 3.07 cent per security distribution for the six months ended 31 December 2013 and the financial impact of the acquisition of CPA (including pro forma NTA per stapled security).

The period since the announcement of the DEXUS Offer is relatively short (5 weeks). Trading in DEXUS stapled securities in this period has been impacted by:

- a downturn in the market rating of the Australian REIT sector;
- continuing negative views on the outlook for the office property given DEXUS's exposure to the sector (particularly the premium segment); and
- speculative market activity given the competitive bidding process for CPA.

Nevertheless:

- there is no evidence to suggest that the DEXUS stapled security price does not reflect the rational view of a well informed market or that DEXUS is trading out of line with its peers or the market;
- REITs such as CPA and DEXUS are relatively transparent entities and sufficient information has been disclosed to enable analysis of the impact of the acquisition of CPA on DEXUS; and
- the market has had sufficient opportunity to absorb and analyse the impact of the transaction.

Therefore, the impact of the acquisition of CPA should be reflected in DEXUS's security price although uncertainty remains as whether DEXUS will succeed in acquiring CPA and, if it does, whether it will achieve full or partial ownership.

The selected value range relative to recent DEXUS stapled security prices is show below:

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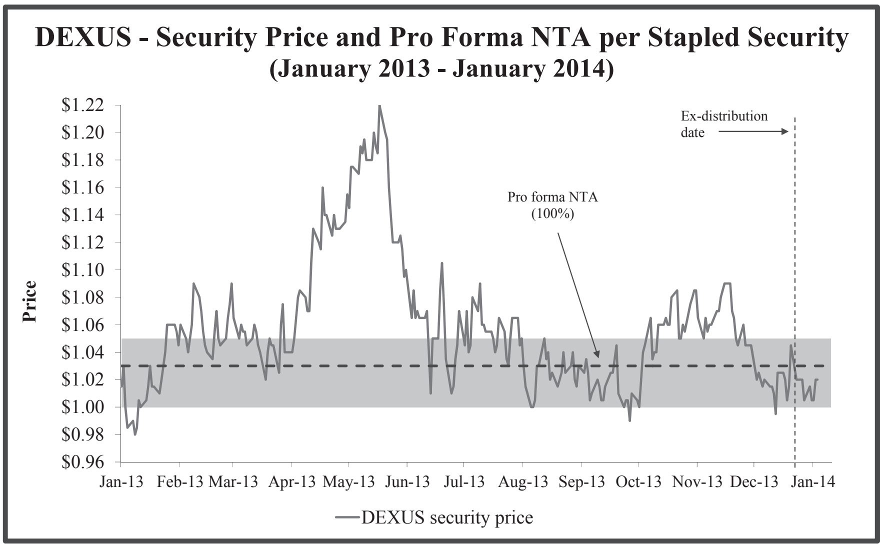


Source: IRESS

In Grant Samuel's opinion, the value range of $1.00-1.05 is appropriate as it:

- reflects the range of trading prices since the announcement of the 14.91% interest in CPA ($0.98-1.11, at a VWAP of $1.04). These prices encompass the downturn in the REIT sector relative to the stockmarket generally and that DEXUS was trading cum distribution of 3.07 cents towards the end of the period;
- represents a (discount)/premium to pro forma NTA (100% basis) in the range (2.9%)-1.9% which is not inconsistent with trading of DEXUS in the last twelve months; and
- reflects a value for DEXUS's operating cost structure and third party funds management activities. This can be seen through an analysis of adjusted NTA for DEXUS. Grant Samuel has estimated a capitalised value of $175-200 million ($0.03-0.04 per security) for DEXUS's net corporate overhead costs assuming 100% acquisition of CPA (with and without the asset sales under the MOU) ($13-15 million)[73] having regard to the weighted average capitalisation rate of the combined DEXUS property portfolio (7.44%)[74]. On this basis, adjusted NTA (100% basis) is $0.99-1.00[75] per DEXUS security and the selected value range implies a premium of up to 5-6% for DEXUS's other activities.

Whether the DEXUS stapled security price will be different if the Consortium acquires an interest in CPA of less than 100% is difficult to judge and is little more than speculation. However:

- the financial consequences for DEXUS at different ownership levels are not materially different;
- other implications of partial ownership of CPA are not materially adverse; and
- in the event that the Consortium acquires an interest of less than 50%, it is unlikely that the Consortium or DEXUS would be prepared to hold a minority interest in CPA in the long term, particularly if CPA was controlled by GPT or if they are unable to replace the responsible entity. However, there is no certainty as to when and how such a situation would be resolved.

On balance, it is reasonable to assume that the selected value range for DEXUS stapled securities of $1.00-1.05 is appropriate for any ownership outcome under the DEXUS Offer.

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[73] Net costs of $13-15 million calculated based on information disclosed by DEXUS as follows:
- corporate overheads and portfolio expenses of $38 million and external management profit of $22 million in FY13;
- incremental operating expenses of $3 million per annum as a result of the DEXUS Offer; and
- incremental management fees of $4.4-6.0 million per annum (range based on whether the asset sales under the MOU occur).

[74] Calculated by Grant Samuel based on information set out in the Consortium Bidders' Statement and CPA's disclosed weighted average capitalisation rate at 31 December 2013 of 7.3%.

[75] Pro forma NTA ($1.03 per security) less capitalised value of net costs ($0.03-0.04 per security).

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## 6 Evaluation of the DEXUS Offer

### 6.1 Conclusion

In Grant Samuel's opinion, the DEXUS Offer is fair and reasonable, in the absence of a superior proposal.

The value attributed to the consideration under the DEXUS Offer ($1.23-1.25 per CPA unit) exceeds Grant Samuel's estimate of adjusted NTA of $1.16-1.17 per CPA unit and represents a premium of 5.1-7.8% (see Section 6.2). In Grant Samuel's opinion, this level of premium more than adequately compensates CPA unitholders for the unique attributes of the CPA property portfolio, particularly as there is no material latent value upside. In competitive bidding scenarios, high premiums over adjusted NTA will reflect factors relevant to the bidder (e.g. economies of scale, strategic positioning) as well as the attributes of the CPA property portfolio. Accordingly, in Grant Samuel's opinion, the DEXUS Offer is fair.

The value of the scrip component of the consideration will vary with movements in the DEXUS security price. Accordingly, until the stapled securities are issued under the DEXUS Offer, CPA unitholders are exposed to movements in the DEXUS security price. The actual value received could ultimately exceed, or be less than, $1.23-1.25 per CPA unit.

As the DEXUS Offer is fair, it is also reasonable. In any event, there are a number of other factors that support the reasonableness of the DEXUS Offer and which CPA unitholders should consider in determining whether or not to accept the offer. In particular:

- the DEXUS Offer delivers a premium of around 12-15%% to CPA unit prices prior to the announcement of the internalisation proposal. This premium is not insignificant given CPA is an externally managed passive investor in office property with no latent value upside in its property portfolio, no operating businesses and a high payout ratio;
- in the absence of the DEXUS Offer or a similar offer, it is likely that CPA units under current market conditions and its current ownership and operating structure would trade at prices below the value of the DEXUS Offer ($1.23-1.25 per unit). However, the unit price may not decline to the levels prevailing prior to the internalisation proposal due to the increase in reported NTA per unit (from $1.15 at 30 June 2013 to $1.19 per unit); and
- there is no minimum acceptance condition under the DEXUS Offer indicating that the Consortium is prepared to own less than 100% of CPA (and potentially less than 50%). If the DEXUS Offer becomes unconditional, but the Consortium acquires less than 90% of CPA's units, the implications for remaining CPA unitholders include:
  - actual or effective control of CPA may pass;
  - change of responsible entity and change of control provisions in CPA's existing borrowings documentation, pre-emptive rights over certain co-owned properties and rights of first refusal under certain CBA property leases may be triggered which could result in increased gearing and costs;
  - depending on the interest acquired by the Consortium, the DEXUS Offer may dramatically reduce the liquidity of the market for CPA units and result in the removal of CPA from, or a reduced weighting for CPA in, key market indices. CPA's free float could reduce from around 80% (potentially substantially) and, even if the DEXUS Offer is withdrawn or lapses, there will be considerable market uncertainty surrounding CPA (e.g. as to the future intentions of DEXUS and/or CBA). Consequently, CPA's unit price would come under substantial pressure;
  - the prospects of receiving a fully priced offer in the future for their investment in CPA may be greatly reduced depending on the ownership outcomes under the DEXUS Offer; and
  - if CPA is delisted from the ASX, remaining unitholders would hold unlisted units reducing their ability to realise value.

Although the GPT Offer is "live" and open for acceptance, it has been declared final and will close on 24 January 2014. Furthermore, Grant Samuel has attributed a value to the consideration under

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the GPT Offer in the range $1.21-1.24 per CPA unit (see Section 7.3) which is less than the value attributed to the consideration under the DEXUS Offer ($1.23-1.25 per CPA unit). Therefore, the GPT Offer has been assessed as inferior in value to the DEXUS Offer.

It would be open to unitholders to reject the DEXUS Offer in anticipation of a higher offer from the Consortium or GPT. However, there is no evidence that either party would be prepared to pay a higher price, particularly in light of the competitive bidding process that has taken place over the last three months. In any event, actual or effective control of CPA may pass under the DEXUS Offer.

There has been ample opportunity for an interested party other than DEXUS or GPT to make a competing offer for CPA. No such offer has been made at the date of this report but the opportunity to do so remains during the offer period (currently until 7 February 2014).

## 6.2 Fairness

### 6.2.1 Net Asset Value

REITs are commonly valued by reference to net asset values. For such entities, investment properties are generally carried on the balance sheet at market value and the appropriate valuation methodology is to aggregate the market value of the individual properties. Other assets or liabilities are adjusted to reflect market value. This approach represents a measure of the market value of underlying assets and does not purport to represent the net proceeds derived on a winding up of an entity (i.e. it does not reflect costs associated with winding up including potential capital gains tax on realisation of individual properties in the portfolio). Other valuation methodologies (such as capitalisation of earnings and discounting of cash flows of the entity as a whole) are generally not used in the valuation of REITs passively holding portfolios of properties. However, it should be noted that property valuers typically use a number of methodologies including discounted cash flow, capitalisation of income and direct comparison (i.e. value per square metre of net lettable area) to determine individual property values.

Grant Samuel has estimated adjusted NTA for CPA to be $1.16-1.17 per unit (rounded to two decimal places). This estimate is based on CPA's unaudited NTA as at 31 October 2013 of $2,786.0 million ($1.19 per unit) (see Section 3.6 of this report). Various adjustments have been made to derive adjusted NTA which is more appropriate for the purposes of evaluating the DEXUS Offer. These adjustments are summarised below:

**CPA – Adjusted NTA ($ millions)**

| | Low | High |
|---|---|---|
| Unaudited NTA as at 31 October 2013 | 2,786.0 | 2,786.0 |
| Estimated movement in investment in equity accounted associates | 5.0 | 5.0 |
| Estimated retained earnings for two months to 31 December 2013 | 5.0 | 15.0 |
| Capitalised corporate overheads (net of savings) | (50.0) | (45.0) |
| Capitalised borrowing costs | (13.5) | (13.5) |
| Convertible notes conversion | 200.0 | 200.0 |
| **Adjusted NTA** | **2,932.5** | **2,947.5** |
| Fully diluted units on issue (millions) | 2,525.9[76] | |
| **Adjusted NTA per unit** | **$1.1610** | **$1.1669** |

Adjusted NTA represents the aggregate full underlying value of CPA after allowing for the distribution for the six months ending 31 December 2013. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a "control" value (i.e. it assumes 100% ownership of the assets). It is therefore not appropriate to add any additional "premium for control", although premiums for other reasons may be appropriate.

[76] Assuming 178,858,880 units issued on conversion of convertible notes in accordance with the terms and conditions set out in the CPA Convertible Note Prospectus dated 4 December 2009.

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The adjustments made are discussed below:

- **Investment Property Portfolio**

  Unaudited NTA as at 31 October 2013 is based on book values for each of CPA's properties which reflect current valuations undertaken by independent valuers plus capital expenditure and payments for incentives and leasing fees net of amortisation since valuation date (see Section 3.3). All properties in the investment property portfolio were independently valued as at 30 September 2013 or 31 October 2013, except 5 Martin Place, Sydney which is currently under construction[77].

  Grant Samuel has relied on the independent valuations for the purposes of its report and did not undertake its own valuations of the properties. Given the nature of the evaluation, Grant Samuel does not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. Grant Samuel has undertaken a review of the independent valuations given current market conditions and notes that:

  - the external valuers have accepted instructions only from CMIL and have confirmed that they satisfy the requirements in the Corporations Act that:
    - they are suitably qualified individuals with the requisite five years of appropriate experience;
    - they are authorised by law to practice as a valuer; and
    - they regard themselves as independent;
  - the external valuers have been given appropriate instructions consistently;
  - there were no restrictions in the scope of the independent valuers' engagements or other terms which may have impacted on the quality of the valuations;
  - the external valuers have prepared their valuations in accordance with the standards of the Australian Property Institute; and
  - the external valuers have utilised standard property valuation methodologies (i.e. discounted cash flow, capitalisation of net income and direct comparison (i.e. value per square metre of net lettable area)) with the value conclusion selected having regard to the results of each methodology.

  This review does not, however, imply that the valuations have been subject to any form of audit or due diligence.

  The valuations for CPA's investment property portfolio were undertaken on a going concern basis in accordance with current use. In addition, the valuations:

  - assume the properties are sold on an individual basis (i.e. the valuers have not had regard to the potential effect of selling the properties in one line);
  - deduct the net present value of unexpired tenant incentives;
  - allow for the existing property management arrangements and, if necessary, the valuer adjusts property management fees to bring them into line with market averages;
  - allow for selling costs (i.e. cash flows used in the discounted cash flow approach are net of selling costs and yields utilised in the capitalisation of earnings approach implicitly incorporate selling costs) in accordance with normal property valuation methodologies; and
  - do not reflect any other costs for the owner on realisation of the asset (e.g. taxes).

  Given the short time that has elapsed since 30 September and 31 October 2013 (less

[77] 5 Martin Place, Sydney has been valued at 31 December 2013 at $63.75 million, an increase of $5.25 million over book value at 31 October 2013. As this is a development property the increase in book value represents capital expended during the period (i.e. this valuation does not result in an uplift in NTA).

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than 4 months) and the nature of the assets being valued (i.e. passive investments in office property assets for which there is no liquid market), there is unlikely to have been any material change in the market value of these assets since they were valued.

- **Equity Accounted Investments**

  Unaudited NTA as at 31 October 2013 includes CPA's share of the NTA of equity accounted investments at that date (see Section 3.6). For the entities holding interests in properties, NTA reflects the most recent independent valuation for their properties and capital expenditure and other payments since valuation to 31 October 2013.

  At 31 October 2013, the most recent valuation for each property was 31 December 2012. Valuations have now been prepared as at 31 December 2013. Following discussions with CPA, Grant Samuel has allowed for an increase in CPA's equity accounted investments of $5 million. This increase allows for the property revaluations and other movements in NTA of the equity accounted investments in the two months to 31 December 2013.

- **Capitalised Corporate Overheads**

  NTA does not reflect the cost structure associated with being a listed investment vehicle. Corporate overheads are a cost of CPA's operating structure and include:

  - responsible entity fees;
  - listed entity costs (such as annual reports, unitholder communications, unit registry and listing fees etc.); and
  - other trust expenses (e.g. audit).

  Responsible entity fees would be payable as long as CPA is externally managed. CMIL, as responsible entity of CPA, is entitled to receive a base management fee equal to 0.45% per annum of gross asset value. Base management fees were $17 million in FY13 and are expected to be around $17.5 million in FY14. Although CMIL is entitled to receive performance fees, no performance fees have been paid in recent years due to carried forward cumulative underperformance (22.6% at 30 June 2013). The takeover activity since then has eliminated the underperformance balance and a full performance fee is payable for the six months to 31 December 2013 with 2.1% cumulative outperformance being carried over at 31 December 2013.

  On a standalone basis, CPA would incur fund management costs although these are likely to be less than the fees paid to an external manager. Based on analysis undertaken for the internalisation proposal, Grant Samuel estimates that the cost associated with internal management of CPA would be approximately $15 million per annum (i.e. savings of around 15%). However, an acquirer of 100% of CPA with an existing property funds management platform in Australia (e.g. GPT, DEXUS, Brookfield Australia, Investa Property Group, Mirvac Group, Stockland Group, Charter Hall Group) could save substantially more of these costs depending on their business model. In this regard, it is noted that:

  - in the announcement of the GPT Offer on 19 November 2013, GPT disclosed that its pro forma assumption on acquisition of CPA is for incremental operating expenses of $3.0 million per annum; and
  - in the announcement of the Consortium Proposal on 11 October 2013, DEXUS disclosed that post implementation its management expenses ratio would reduce to below 0.45% (from 0.53% in FY13) due to cost synergies, implying incremental operating costs of $3.0 million per annum.

  Therefore, it appears that at least two parties with existing property funds management platforms can save around 80% of the fees that CPA currently pays for funds management services (i.e. residual responsible entity costs of around $3-4 million per annum).

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CPA incurs other trust expenses of around $2.8 million including listed entity costs. Any acquirer of 100% of CPA would be able to save the costs associated with being a publicly listed entity (approximately $0.8 million per annum). Analysis undertaken in relation to the internalisation proposal indicated that, on a standalone basis, CPA would incur around $1 million per annum in additional trust expenses for items such as insurance and information technology. However, an acquirer of CPA with an existing property funds management platform in Australia would be able to eliminate most of the existing trust expenses.

This analysis is summarised as follows:

**CPA – Corporate Overheads ($ millions)**

| | Responsible Entity Fees | Listed Entity Costs | Other Trust Expenses | Total |
|---|---|---|---|---|
| Existing CPA cost structure | 17.5 | 0.8 | 2.0 | 20.3 |
| Standalone cost structure | 15.0 | - | 3.0 | 18.0 |
| Acquirer with existing funds management platform | 3.0-4.0 | - | - | 3.0-4.0 |

Source: Grant Samuel analysis

For the purposes of assessing adjusted NTA for CPA, Grant Samuel has assumed residual corporate overheads of $3.5 million per annum (i.e. corporate overheads remaining after savings available to acquirers). These residual costs have been attributed a capitalised value of $45-50 million having regard to the weighted average capitalisation rate of CPA's property portfolio at 31 October 2013 of 7.3%. This approach is appropriate as the residual costs are an integral component of owning the property portfolio. It is not appropriate to capitalise the residual costs by reference to recent transactions involving property funds management rights as these transactions generally reflect payment to the manager to terminate management rights or for the acquisition of combined property funds and asset management businesses and reflect other factors such as strength of entrenchment of the manager.

CPA also pays property management and development management fees to external parties (e.g. CFSM, Jones Lang LaSalle)[78]. Property management fees are reflected in CPA's net property income and development fees are capitalised or expensed as appropriate. An acquirer with an existing office property management and development management platform in Australia (e.g. GPT, DEXUS, Brookfield Australia, Investa Property Group, Mirvac Group, Stockland Group, Charter Hall Group) may be able to save some of these costs. However, to the extent that fees paid are not in line with market rates, independent valuers adjust them for the purposes of valuation (i.e. NTA based on the property valuations reflect market rates of property management fees). Therefore, even if an acquirer could reduce these costs due to economies of scale, the independent property values would not necessarily change. Therefore, Grant Samuel has made no separate adjustment to reflect the potential for savings in property management and development management fees.

- **Retained Earnings to 31 December 2013**

  Unaudited NTA at 31 October 2013 includes earnings for the four months ended 31 October 2013 and a provision for distribution for four months based on CPA's target payout ratio of 75% of FFO (i.e. unaudited NTA reflects retained earnings for the four months to 31 October 2013). For the purposes of evaluating the DEXUS Offer, Grant Samuel has adjusted CPA's unaudited NTA by an amount representing an estimate of earnings for the two months to 31 December 2013 less the increase in the provision for distribution necessary to allow for CPA's guidance of a 3.50 cents per unit distribution. Based on discussions with CPA, an allowance for an increase in CPA's retained earnings in the range $5-15 million has been made.

78 In FY13 property management fees paid were $11.6 million, development management fees paid were $1.9 million and alignment income received from CSFM was $0.25 million.

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- **Capitalised Borrowing Costs**

  Unaudited NTA at 31 October 2013 includes a $13.5 million asset representing the unamortised balance of certain borrowing costs which have been capitalised for accounting purposes (see Section 3.6). These are not assets that are realisable and therefore have been excluded in deriving the adjusted unaudited NTA.

- **Convertible Notes**

  CPA's convertible notes are treated as interest bearing liabilities for accounting purposes and are therefore reflected in unaudited NTA at 31 October 2013. These notes are convertible at any time to the seventh business day prior to 11 December 2016 at the option of the noteholder. The conversion price is currently $1.1182 and for most of 2013 (but particularly since the announcement of the internalisation proposal) the notes have been "in the money". Unaudited NTA has been adjusted for the conversion of these notes in accordance with their terms of issue as set out in the CPA Convertible Note Prospectus dated 4 December 2009. The adjustment of $200 million represents the reduction in interest bearing liabilities by the face value of the notes with 178.9 million CPA units issued on conversion (based on the conversion price of $1.1182).

No adjustment has been made for CPA's investment in CFSPAM as the dividends received represent earnings of 180-222 Lonsdale Street, Melbourne and are reflected in the independent valuation of that property.

No adjustment has been made to NTA for the payment of the performance fee for the six months ended 31 December 2013. This fee is to be paid out of retained earnings.

### 6.2.2 Premium over NTA

As a matter of principle, there should be no "premium for control" above adjusted NTA as it is based on independent valuations for each property in the portfolio which are already "control values". There is no higher value for these assets as each independent valuation is for 100% of the asset. However, portfolios of properties sometimes change hands at premiums to valuation. The reasons for these premiums vary from case to case but typically reflect one or more of the following factors:

- the value of a portfolio to an acquirer in terms of instant diversification and efficiency (both in time and cost) when compared to accumulating an equivalent portfolio on a piecemeal basis over time. In addition, there is a structural saving (i.e. reduced stamp duty costs) in acquiring a portfolio of properties via the acquisition of a listed REIT;
- economies of scale and synergies that can be achieved by the acquirer's existing operations, particularly funds management, property management and development management activities;
- larger portfolios of quality properties have scarcity value and may represent a strategic acquisition for some buyers;
- increases in the value of individual properties since the latest valuations;
- value inherent in development pipelines (either refurbishment or expansion potential or greenfield opportunities); and
- related operating businesses that contribute to earnings (such as property funds management and asset management services).

Equally, property portfolios may change hands at a discount to valuation because:

- not all properties in a portfolio may be equally attractive to acquirers and a discount would be applied to non-core assets;
- of weak market conditions with declining property values and limited access to finance; and
- material cost synergies are not available (e.g. due to geographic spread of portfolio).

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In the case of CPA:

- there is no material latent value upside in the property portfolio as:
  - property valuations are up to date;
  - an adjustment has been made to NTA which allows for the revaluation of properties owned via investment in associates; and
  - there is no major development pipeline with the focus primarily on property refurbishment with the exception of the development of 5 Martin Place, Sydney. This development is due for completion in mid 2015 (CPA's share of remaining cost is $145 million of a total cost share of $215 million) and therefore development risk remains;
- an adjustment has been made to NTA to allow for a material amount of cost savings available to a range of acquirers of CPA;
- it is a passive investor in property with no operating businesses; and
- there are a number of smaller, less strategic properties in the portfolio which will be less attractive to acquirers.

On the other hand, CPA's property portfolio has scarcity value and would be difficult to replicate. It is:

- a large portfolio comprising 25 properties with a book value of $3.8 billion (including $3.5 billion of office and $0.3 billion of retail assets); and
- weighted towards A-grade office properties in the major Australian markets of Sydney and Melbourne (i.e. there is less exposure to premium grade assets for which current market conditions are challenging).

The attractiveness of CPA's property portfolio is evident from the competing bids from the Consortium and GPT.

In Grant Samuel's view, there is some justification for a premium for CPA's property portfolio. However, the level of any premium is inherently subjective. In this regard:

- in the period prior to 2008, acquisition transactions (particularly after 2002) occurred at significant premiums to NTA (see Appendix 2). However, a number of these transactions involved entities with significant operating businesses (in which case the premium to NTA is not meaningful) and in some of these transactions a significant part of the premium was due to lags in property valuations (particularly prior to the introduction of International Financial Reporting Standards in FY06). Nonetheless, some premium was paid by acquirers which can be attributed to diversification and scale benefits of acquiring a large portfolio in a single line as well as the relative scarcity value of such opportunities in an increasingly concentrated environment;
- since 2008, control transactions involving listed REITs have generally taken place at discounts to NTA as shown below:

**Recent Australian Listed REIT Transactions**

| Date | Target | Consideration ($ millions) | Premium/ (Discount) to NTA |
|---|---|---|---|
| Apr 12 | Thakral Holdings Group | 507 | (15.6)% |
| Jan 12 | Charter Hall Office REIT | 1,228 | (3.9)% |
| Jan 12 | Abacus Storage Fund | 132 | (8.2)% |
| Apr 11 | Valad Property Group | 209 | (22.1)% |
| Apr 11 | Rabinov Property Trust | 50 | (4.3)% |
| Dec 10 | ING Industrial Fund | 1,395 | (1.5)% |
| Jul 10 | MacarthurCook Industrial Property Fund | 43 | (32.1)% |
| Apr 10 | Westpac Office Trust | 417 | 3.1% |
| Oct 09 | Mirvac Real Estate Investment Trust | 373 | (29.9)% |
| May 09 | Orchard Industrial Property Fund | 255 | (11.9)% |

Source: Grant Samuel analysis (see Appendix 2)

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However, the transaction metrics reflect the challenging market conditions during this period and the particular circumstances of the REITs at the time of transaction. For example:

- Valad Property Group, MacarthurCook Industrial Property Fund, Mirvac Real Estate Investment Trust and Orchard Industrial Property Fund were arguably in some financial distress;
- the earlier transactions generally took place prior to the write down of the book value of assets in the entity's accounts, implying a greater discount to NTA than might have been the case;
- the Abacus Storage Fund and Rabinov Property Trust transactions involved scrip consideration enabling securityholders to retain their exposure to any general recovery in property markets; and
- the relatively high discount to NTA implied by the Thakral Holdings Group transaction likely reflects the bidder's existing relevant interest in 38.6% voting power (although it had no actual securityholding).

The remaining three transactions (Charter Hall Office REIT, ING Industrial Fund and Westpac Office Trust) involved externally managed REITs and took place at close to NTA. In relation to these transactions:

- although 84% of Westpac Office Trust's $1.1 billion property portfolio was A-grade property, it had substantial exposure (94%) to the New South Wales office property market, was highly geared (62% at 31 December 2009) and was facing significant near term funding challenges. Unitholders were offered scrip or cash consideration;
- ING Industrial Fund did not have an exposure to the office property sector. Unitholders were offered cash consideration; and
- Charter Hall Office REIT's property portfolio is the most comparable to that of CPA. Its $1.85 billion property portfolio was predominantly premium and A-grade office properties (94% of book value), had an average remaining lease term of 4.5 years and 97% occupancy and had an active development pipeline (albeit scaled back relative to prior periods). Unitholders were offered cash consideration. Charter Hall Group was a major unitholder (13.6%) and was a party to the transaction in that it was a member of the bidding consortium and was to retain the management of the fund.

It should also be noted that the premiums/(discounts) are calculated relative to last reported NTA rather than adjusted NTA. For these three transactions, this would reduce the size of the discount or increase the premium; and

- in more recent times, as REITs have refocussed (e.g. by sale of non-core assets, divestments of overseas portfolios) and market conditions stabilised, investor interest in the sector has increased although to date no major transactions involving listed REITs have occurred.

In Grant Samuel's opinion, having regard to the market evidence and given the currency of the property valuations, any premium for CPA's property portfolio would be relatively modest.

The DEXUS Offer implies premiums of 4.6-5.3% over CPA's property portfolio as shown below:

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| Premium over Property Portfolio Implied by DEXUS Offer | |
|---|---|
| Value of DEXUS Offer (Section 5.1) | $1.23-1.25 per CPA unit |
| Adjusted NTA (Section 6.2.1) | $1.16-1.17 per CPA unit |
| **Therefore, premium over adjusted NTA** | **$0.06-0.09 per CPA unit**[79] |
| Fully diluted units on issue | 2,516.9 million |
| **Amount of premium implied by DEXUS Offer** | **$151.0-226.5 million** |
| ***CPA Property Portfolio*** | |
| Investment property portfolio | $3,463.4 million |
| Equity accounted property investments (adjusted) | $365.5 million |
| | **$3,828.9 million** |
| **Implied Premium over Property Portfolio** | **3.9-5.9%** |

These premiums are equivalent to 5.1-7.8% over adjusted NTA of CPA (and marginally higher over unaudited NTA at 31 October 2013). In considering the premium over adjusted NTA it should be noted that substantial overhead cost savings have been allowed for in deriving adjusted NTA.

In Grant Samuel's opinion, this level of premium more than adequately reflects the unique attributes of the CPA property portfolio. In the absence of the competitive bidding scenario that CPA finds itself, premiums of this level would not be expected as there is no material latent value upside. To the extent that acquirers are willing to pay high premiums, this largely reflects factors relevant to that acquirer (e.g. economies of scale with existing operations, strategic positioning) rather than the attributes of the CPA property portfolio.

### 6.2.3 Comparison to Market Parameters

The calculation of adjusted NTA per CPA unit is a limited form of analysis insofar as it depends on the assumptions underlying the asset valuations and does not reflect the extent to which investors may attribute value to factors such as distribution growth potential, tax shield, scale, portfolio diversity, potential alternatives uses for properties and strategic value to potential acquirers. Markets tend to value REITs primarily on yield (and yield growth) rather than NTA. Consequently, the estimated value of a REIT is typically cross checked against evidence as to premiums/discounts to NTA and distribution yields implied by the market rating of comparable listed REITs and by acquisitions of such entities.

The value attributed to the DEXUS Offer of $1.23-1.25 per CPA unit implies FY14 forecast exit yields of 5.4-5.5% (based on FY14 6.75 cent distribution guidance). The implied yields have been reviewed by reference to the distribution yields implied by the trading prices of other listed office REITs and the exit yields implied by recent control transactions involving listed REITs as set out in Appendix 2. This evidence shows that:

- Australian listed REITs with a primary focus on passive property investment and substantial exposure to the office sector are trading at forecast distribution yields generally in the range 6-7%. CPA's distribution yield based on the unit price prior to the announcement of the internalisation proposal was consistent with this evidence; and
- forecast exit yields for recent Australian control transactions involving listed office REITs have been in a range of 5.3-7.7%. The top end of this range reflects the acquisition of Westpac Office Trust which was highly geared (62%) and was facing significant short term funding challenges. The appropriate benchmark for CPA is the acquisition of Charter Hall Office REIT in January 2012. This transaction occurred at a forecast exit yield in the range 5.3-6.5% (based on management's earnings guidance

[79] Calculated as high value of DEXUS Offer less low adjusted NTA (i.e. $1.25 less $1.16 per security) and low value of DEXUS Offer less high adjusted NTA (i.e. $1.23 less $1.17 per security).

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and the targeted payout ratio). An exit yield towards the lower end of this range would be appropriate for a high quality property portfolio and the existence of the earnings of operating businesses.

In Grant Samuel's opinion, the forecast exit yields implied by the value attributed to the DEXUS Offer are reasonable having regard to the market evidence and the quality of CPA's property portfolio.

#### 6.2.4 Conclusion

Grant Samuel has estimated adjusted NTA of CPA to be $1.16-1.17 per unit (see Section 6.2.1).

The value attributed to the consideration under the DEXUS Offer is $1.23-1.25 per CPA unit based on a market value for DEXUS stapled securities of $1.00-1.05. The value of the consideration is reviewed in Section 5 of this report.

The value attributed to the consideration exceeds Grant Samuel's estimate of CPA's adjusted NTA of $1.16-1.17 per unit and represents a premium of 5.1-7.8%. In Grant Samuel's opinion, the premium over adjusted NTA offered under the DEXUS Offer more than adequately compensates CPA unitholders for the unique attributes of the CPA property portfolio, particularly as there is no material latent value upside. In competitive bidding scenarios, high premiums over adjusted NTA will reflect factors relevant to the bidder (e.g. economies of scale with existing operations) in addition to the attributes of the property portfolio. Accordingly, in Grant Samuel's opinion, the DEXUS Offer is fair.

However, the value of the consideration under the DEXUS Offer will vary with movements in the DEXUS stapled security price. Accordingly, until the DEXUS securities are issued under the DEXUS Offer, CPA unitholders are exposed to changes in overall equity market conditions and specific events that could impact the DEXUS security price. The actual value received could therefore ultimately exceed, or be less than, $1.23-1.25 per CPA unit.

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### 6.3 Reasonableness

As the DEXUS Offer is fair, it is also reasonable. In any event, there are a number of other factors that support the reasonableness of the DEXUS Offer and which CPA unitholders should consider in determining whether or not to accept the offer. These factors are set out in the following sections.

#### 6.3.1 Premium for Control

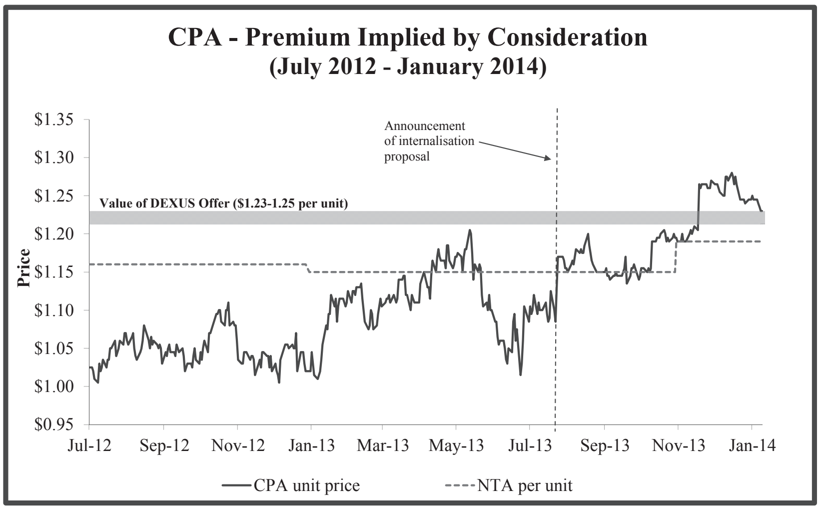
The DEXUS Offer represents the following premiums over pre announcement prices when measured relative to the value attributed to the consideration by Grant Samuel ($1.23-1.25 per unit):

**CPA – Premium Implied by Value of Consideration[80]**

| Period | Value of DEXUS Offer Consideration | CPA Price/VWAP | Premium |
|---|---|---|---|
| 10 December 2013 – Pre-DEXUS Offer price | $1.23-1.25 | $1.250 | (1.6)-0% |
| 18 November 2013 – Pre-GPT Offer price | $1.23-1.25 | $1.205 | 2.1-3.7% |
| 7 November 2013 – Pre-revised Consortium Proposal price | $1.23-1.25 | $1.190 | 3.4-5.0% |
| 10 October 2013 – Pre-Consortium Proposal price | $1.23-1.25 | $1.155 | 6.5-8.2% |
| 24 July 2013 – Pre-DEXUS relevant interest price | $1.23-1.25 | $1.130 | 8.8-10.6% |
| 23 July 2013 – Pre-internalisation proposal price | $1.23-1.25 | $1.085 | 13.4-15.2% |
| 1 week prior to 23 July 2013 (VWAP) | $1.23-1.25 | $1.100 | 11.8-13.6% |
| 1 month prior to 23 July 2013 (VWAP) | $1.23-1.25 | $1.080 | 13.9-15.7% |
| 3 months prior to 23 July 2013 (VWAP) | $1.23-1.25 | $1.100 | 11.8-13.6% |
| 6 months prior to 23 July 2013 (VWAP) | $1.23-1.25 | $1.110 | 10.8-12.6% |
| 12 months prior to 23 July 2013 (VWAP) | $1.23-1.25 | $1.080 | 13.9-15.7% |

Source: IRESS and Grant Samuel analysis

The announcement of the internalisation proposal on 24 July 2013 followed by DEXUS's announcement of a 14.91% interest the next day resulted in 7-8% rise in the CPA unit price. The subsequent corporate takeover activity as well as the increase in CPA's reported NTA per unit (to $1.19 per unit) has further positively impacted CPA's unit price. Consequently, the relevant benchmarks for the implied premium are the unaffected CPA unit prices prior to 24 July 2013 as illustrated in the following graph:




Source: IRESS and Grant Samuel analysis

80 The value of the DEXUS Offer consideration is on an ex-distribution basis whereas pre-announcement prices for CPA are for various periods including periods when the unit price reflects future distributions (i.e. when the unit price is cum distribution). In particular, CPA commenced trading ex-distribution (3.5 cents per unit) on 23 December 2013.

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The level of premiums observed in takeovers varies depending on the circumstances of the target and other factors (such as the potential for competing offers) but for industrial companies tends to fall in the range 20-35%. However, in the case of REITs with a primary focus on passive property investment there is little scope for large premiums over pre-bid prices as property cash flows are stable and predictable with security prices underpinned by the distribution yield and typically there are limited synergies available to a purchaser.

The DEXUS Offer represents premiums of around 12-15% to unaffected CPA unit prices. The premium is not insignificant given CPA is a passive investor in office property with no latent value upside in its property portfolio and no operating businesses. The premium reflects that:

- the CPA unit price has historically been a good indicator of underlying value (prior to the announcement of the internalisation proposal, CPA was trading in line with its externally managed office sector peers at a discount to reported NTA of around 5%); and
- the CPA property portfolio has scarcity value and offers instant diversification, efficiency, economies of scale and cost savings to a range of potential acquirers.

Another way of looking at the premium represented by the DEXUS Offer is to compare the value of the DEXUS Offer based on the DEXUS stapled security price for a particular date or period to the price of CPA units on the same date or period. On this basis, the DEXUS Offer represents premiums of around 15%:

**CPA – Premium over Pre-announcement Prices**

| Period | DEXUS Price/ VWAP | Consideration[81] | CPA Price/ VWAP | Premium |
|---|---|---|---|---|
| 10 December 2013 – Pre-DEXUS Offer price | $1.015 | $1.233-1.235 | $1.250 | (1.2)-(1.4)% |
| 18 November 2013 – Pre-GPT Offer price | $1.090 | $1.264-1.267 | $1.205 | 4.9-5.1% |
| 7 November 2013 – Pre-revised Consortium Proposal | $1.060 | $1.253-1.253 | $1.190 | 5.3-5.3% |
| 10 October 2013 – Pre-Consortium Proposal price | $1.040 | $1.244-1.245 | $1.155 | 7.7-7.8% |
| 24 July 2013 – Pre-DEXUS relevant interest price | $1.030 | $1.240-1.241 | $1.130 | 9.7-9.8% |
| 23 July 2013 – Pre-internalisation price | $1.035 | $1.242-1.243 | $1.085 | 14.5-14.6% |
| 1 week prior to 23 July 2013 (VWAP) | $1.050 | $1.249-1.249 | $1.100 | 13.5-13.5% |
| 1 month prior to 23 July 2013 (VWAP) | $1.050 | $1.249-1.249 | $1.080 | 15.6-15.6% |
| 3 months prior to 23 July 2013 (VWAP) | $1.100 | $1.268-1.271 | $1.100 | 15.2-15.6% |
| 6 months prior to 23 July 2013 (VWAP) | $1.080 | $1.260-1.262 | $1.110 | 13.5-13.7% |
| 12 months prior to 23 July 2013 (VWAP) | $1.040 | $1.244-1.245 | $1.080 | 15.2-15.3% |

Source: IRESS and Grant Samuel analysis

### 6.3.2 Unit Trading in the absence of any Takeover Offer

In the absence of the DEXUS Offer or a similar offer, unitholders could only realise their investment by selling on market at a price which does not include any premium and would incur transaction costs (e.g. brokerage). In these circumstances (assuming no speculation as to an alternative or revised offer), it is likely that CPA units, under current market conditions and its current ownership and operating structure, would trade at prices below the value of the DEXUS Offer ($1.23-1.25 per unit).

The unit price may not decline to the levels prevailing prior to the internalisation proposal given the increase in reported NTA per unit (from $1.15 at 30 June 2013 to $1.19 per unit). Nevertheless, in current market conditions, as an externally managed office sector specific

[81] Consideration calculated based on the Original Consideration (exchange ratio of 0.4516 DEXUS stapled securities plus cash of $0.7745 for every CPA unit) and the Alternative Consideration (exchange ratio of 0.3801 DEXUS stapled securities plus cash of $0.8496 for every CPA unit).

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REIT, CPA would be expected to trade at a discount to NTA and at prices well below the DEXUS Offer.

Internalisation of CPA's management arrangements would remain an option in the absence of any takeover offer. Depending on the terms of any internalisation (in particular the quantum of any payment to CBA) it would be expected that such a restructure would be positive for the unit price due to:

- greater perceived alignment of the interests of directors and management with those of unitholders;
- the elimination of base management fees and performance fees; and
- more favourable market sentiment towards internally managed entities.

However, as discussed in Section 7.2.1 of this report, preliminary analysis of potential cost savings associated with a standalone (or internalised) operating structure for CPA are not substantial (around 10%). The elimination of performance fees would be an additional benefit, if any were payable.

In Grant Samuel's opinion, while the CPA unit price would be expected to be higher if management was internalised than if it was not, it would still be likely to trade at prices below the value of the DEXUS Offer ($1.23-1.25 per unit) as:

- security prices represent portfolio interests (small parcels of securities) in listed entities and do not include a premium for control. In contrast, the value of consideration under the DEXUS Offer of $1.23-1.25 incorporates a premium for control of around 12-15% over prices preceding the announcement of the internalisation proposal;
- Grant Samuel's estimate of adjusted NTA for CPA of $1.16-1.17 per unit reflects cost savings of $16.8 million per annum (around 80%) which materially exceed the estimate of cost savings of $2.3 million per annum estimated to arise on a standalone basis (around 10%); and
- any payment to CBA to facilitate internalisation or any negative impact of internalisation (e.g. increased cost of debt) would offset some of the value benefit of internalising management.

### 6.3.3 No Minimum Acceptance Condition

The DEXUS Offer has no minimum acceptance condition indicating that the Consortium is prepared to own less than 100% of CPA (and potentially less than 50%). If the DEXUS Offer becomes unconditional, but the Consortium acquires less than 90% of CPA's units, the implications for remaining CPA unitholders include:

- if the Consortium's interest exceeds 50% it will acquire control of CPA and be able to determine the outcome of resolutions requiring approval of at least 50% of the votes cast by unitholders entitled to vote on a resolution (including removal of the responsible entity). However, even at a unitholding of less than 50% the Consortium would have significant influence over such resolutions. At 75% or more the Consortium would also be able to determine the outcome of special resolutions;
- at ownership level outcomes under the DEXUS Offer of less than 90%, the Consortium intends to (if possible):
  - subject to meeting the requirements for listing (including a sufficient spread of investors), maintain CPA's listing on the ASX. However, if CPA is delisted from the ASX, remaining unitholders would hold unlisted units reducing their ability to realise value;
  - seek to replace CMIL as responsible entity with a DEXUS entity. It will therefore control the ongoing management of CPA and may seek changes to CPA's distribution policy and gearing levels; and

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- seek to discontinue CPA's existing property management, development management and other service arrangements and appoint DEXUS entities to provide those services;

- CPA will meet transaction costs associated with the suspended internalisation proposal and takeover defence costs (including legal and other adviser's fees as well as printing and mailing costs) of around $10 million as a standalone entity (less than 0.5 cents per unit), although the quantum of these direct transaction costs may vary depending on the Consortium's ownership level following the DEXUS Offer;

- change of responsible entity and change of control provisions in CPA's existing borrowings documentation (including derivative financial instruments) may be triggered (e.g. the convertible notes and US medium term notes) and CPA may be required to repay some borrowings at a premium to face value and/or pay additional fees to lenders. The additional costs would not impact FFO and distributions (as they would likely be treated as non-recurring) but will increase CPA's gearing. However, considerable uncertainty exists as to the quantum of the costs of triggering these provisions as these are dependent on a range of factors outside the control of CPA (including exchange rates). It is estimated that the premium payable above the face value of the US medium term notes is around $15 million and of the convertible notes is around $45-50 million[82] (in aggregate, around 3 cents per unit). However, for ownership level outcomes greater than 50%, under the Facilitation Agreement CBA has agreed to provide consents where CBA acts as lender or counterparty to any CPA financing or derivative arrangements and to assist in obtaining third party lender and counterparty consents;

- pre-emptive rights over certain co-owned properties and rights of first refusal over certain properties leased to CBA may be triggered although in most cases the price received by CPA under these provisions would be market value or be set by CPA. However, for ownership level outcomes greater than 50%, under the Facilitation Agreement CBA has agreed to not exercise its rights as lessee of any premises and assist CPA to obtain third party owner consents;

- depending on the interest in CPA acquired by the Consortium, the DEXUS Offer may dramatically reduce the liquidity of the market for CPA units and result in the removal of CPA from, or a reduced weighting for CPA in, key market indices. CPA's current free float is less than 80% (with DEXUS's 14.91% interest and CBA's 7.8% direct interest). Therefore, any ownership level acquired by the Consortium under the DEXUS Offer will further reduce CPA's free float, potentially substantially. Furthermore, if the DEXUS Offer is withdrawn and lapses and CMIL is not replaced as responsible entity by a DEXUS entity, it is unlikely that DEXUS would be prepared to hold a minority interest in a stock controlled by a competitor for the long term, creating uncertainty until the situation can be resolved. Consequently, CPA's unit price would come under substantial pressure[83]; and

- the prospects of receiving a fully priced offer in the future for their investment in CPA may be greatly reduced depending on the ownership outcomes under the DEXUS Offer.

In this circumstance, any remaining unitholders should consider their position carefully.

[82] Assuming redemption under the change of control provisions. The premium payable under the general conversion provisions is around half of this amount.

[83] For example, ASX listed Brookfield Prime Property Fund is a passive investor in A-grade office properties, externally managed and 79.8% owned by Brookfield Asset Management Inc. It is trading at a discount to reported NTA of around 30% (see Appendix 2).

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### 6.4 Other Advantages, Disadvantages and Risks

Under the DEXUS Offer, unitholders will exchange their CPA units for cash and stapled securities in DEXUS. In doing so, CPA unitholders will:

- realise their investment in CPA at a value that incorporates a premium for control and receive a substantial proportion (around 62% under the Original Consideration and 68% under the Alternative Consideration) of that value in cash but the actual value received will only be determined when the DEXUS stapled securities are issued. Some unitholders may not want to hold DEXUS stapled securities and would have preferred to crystallise their investment in CPA in cash. However, CPA unitholders may elect to receive the higher proportion of cash offered by the Alternative Consideration. They will also be able to sell into a liquid market for DEXUS stapled securities, although there is no certainty that they will be able to realise the scrip received for an amount equivalent to the value attributed to the consideration (e.g. due to transaction costs and the risks associated with any stockmarket investment). On the other hand, ineligible foreign unitholders and unmarketable parcel securityholders will receive the net cash proceeds from the sale of the securities they would otherwise have received;
- incur no transaction costs (i.e. brokerage) to acquire DEXUS stapled securities. Moreover, as the exchange ratio under the DEXUS Offer reflects a premium for control, their interest in DEXUS will be greater than if they had realised their CPA units on market and used the sale proceeds (net of transaction costs) to acquire DEXUS stapled securities on market (also net of transaction costs);
- not be able to be defer the capital gains consequences of accepting the DEXUS Offer as capital gains tax scrip-for-scrip rollover relief is not available (see Section 6.6). However, the cash component of the consideration may offset some or all of any capital gains tax liability; and
- if the DEXUS Offer becomes unconditional, receive the consideration within or on the later of five business days of acceptance or 10 business days after the date the offer becomes unconditional (provided all relevant documentation has been received and correctly completed).

The decision to hold DEXUS stapled securities received is a decision independent of a decision to accept the DEXUS Offer. However, if DEXUS stapled securities are retained, CPA unitholders will:

- retain an economic interest in the CPA assets, albeit on a diluted basis. The eventual interest of CPA unitholders in DEXUS will depend both on the ownership level outcome under the DEXUS Offer as well unitholder elections as to the consideration alternative. However, the maximum interest would be around 16% (i.e. assuming all unitholders elect to receive the Original Consideration and the Consortium acquires 100% of CPA). Furthermore, under the MOU, if the Consortium acquires 100% of CPA four CPA properties are expected to be sold to GWOF for $679 million which means that unitholders may not retain an interest in those properties. If this sale occurs in FY14, former CPA unitholders may be liable for a disproportionate share of the capital gains that will crystallise on sale (although the Consortium has confirmed that it will take action to mitigate this risk);
- gain exposure to DEXUS, a top 50 ASX listed entity and leading Australian REIT with investments in the office and industrial sectors. However, CPA unitholders will no longer be invested in a passive office sector specific REIT as DEXUS is an active investor with a substantial direct property portfolio ($7.3 billion) and an extensive real estate management platform (AUM of $13.4 billion). Consequently, CPA unitholders will be exposed to a more diversified property portfolio (although still predominantly office assets), the general operational risks of DEXUS's third party management activities and to the funds management and property expertise of DEXUS;

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- be entitled to DEXUS distributions on a pari passu basis with DEXUS securityholders (i.e. they will be entitled to all distributions paid by DEXUS after the date of issue of the stapled securities under the DEXUS Offer);
- be exposed to integration risk, although these risks may be mitigated by the due diligence review undertaken by DEXUS and, for ownership levels greater than 50%, by the arrangements with CBA under the Facilitation Agreement. Nevertheless, there may be unanticipated issues or costs that arise on integration; and
- based on a DEXUS security price in the range $1.00-1.05 and the pro forma analysis (100% case) set out in the Consortium Bidder's Statement, CPA unitholders would experience an increase in FFO per unit and distribution per unit (on an equivalent basis) as shown below:

**Pro Forma Impact per Equivalent CPA Unit (100% Case)**

| | CPA Stand-alone | Pro Forma DEXUS | Value of DEXUS Offer per Unit | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | $1.00 | | | $1.05 | | |
| | | | Equivalent CPA Unit[84] | Change | | Equivalent CPA Unit[84] | Change | |
| | | | | Absolute | % | | Absolute | % |
| ***Original Consideration (without sales)*** | | | | | | | | |
| FFO | 9.00¢ | 8.46¢ | 10.37¢ | *1.37¢* | *15.3%* | 10.06¢ | *1.06¢* | *11.8%* |
| Distribution | 6.75¢ | 6.35¢ | 7.79¢ | *1.04¢* | *15.3%* | 7.55¢ | *0.80¢* | *11.9%* |
| NTA | $1.19 | $1.03 | $1.27 | *$0.08* | *6.6%* | $1.23 | *$0.04* | *3.4%* |
| ***Alternative Consideration (without sales)*** | | | | | | | | |
| FFO | 9.00¢ | 8.54¢ | 10.50¢ | *1.50¢* | *16.7%* | 10.16¢ | *1.16¢* | *12.8%* |
| Distribution | 6.75¢ | 6.40¢ | 7.87¢ | *1.12¢* | *16.6%* | 7.61¢ | *0.86¢* | *12.8%* |
| NTA | $1.19 | $1.03 | $1.27 | *$0.08* | *7.0%* | $1.23 | *$0.04* | *3.4%* |
| ***Original Consideration (with sales)*** | | | | | | | | |
| FFO | 9.00¢ | 8.34¢ | 10.23¢ | *1.23¢* | *13.6%* | 9.92¢ | *0.92¢* | *10.2%* |
| Distribution | 6.75¢ | 6.26¢ | 7.68¢ | *0.93¢* | *13.7%* | 7.44¢ | *0.69¢* | *10.3%* |
| NTA | $1.19 | $1.03 | $1.27 | *$0.08* | *6.6%* | $1.23 | *$0.04* | *3.4%* |
| ***Alternative Consideration (with sales)*** | | | | | | | | |
| FFO | 9.00¢ | 8.42¢ | 10.35¢ | *1.35¢* | *15.0%* | 10.01¢ | *1.01¢* | *11.3%* |
| Distribution | 6.75¢ | 6.31¢ | 7.76¢ | *1.01¢* | *15.0%* | 7.50¢ | *0.75¢* | *11.2%* |
| NTA | $1.19 | $1.03 | $1.27 | *$0.08* | *7.0%* | $1.23 | *$0.04* | *3.4%* |

Source: Consortium Bidder's Statement and Grant Samuel analysis

For an ownership level of 50.1%, the uplift in FFO per unit and distribution unit (on an equivalent basis) is higher (up to 18%) and for an ownership level of 30% the same or lower (but still in excess of 10%) while the uplift in NTA in all ownership cases is marginally higher.

Nevertheless, the pro forma impact per equivalent CPA unit is based on the assumptions underlying DEXUS's pro forma acquisition analysis and will also vary with movements in the DEXUS security price. Therefore, the actual impact on FFO, distribution and NTA backing (on an equivalent basis) for CPA unitholders may lie outside the ranges presented above.

[84] Original Consideration calculated at 1.189-1.226 DEXUS securities for every CPA unit, being the sum of scrip consideration of 0.4516 GPT stapled securities plus $0.7745 cash reinvested in DEXUS securities at a price of $1.00-1.05 (respectively). Alternative Consideration calculated at 1.189-1.230 DEXUS securities for every CPA unit, being the sum of scrip consideration of 0.3801 GPT stapled securities plus $0.8496 cash reinvested in DEXUS securities at a price of $1.00-1.05 (respectively).

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## 6.5 Prospect of a Superior Alternative Proposal

The DEXUS Offer is fair and reasonable. However, at the date of this report the GPT Offer is "live" and open for acceptance. Grant Samuel has attributed a value to the consideration under the GPT Offer of $1.21-1.24 per CPA unit (based on a value range for GPT stapled securities of $3.50-3.70 and a cash component of $0.71825) (see Section 7.3). This value range is less than the value of the consideration under the DEXUS Offer ($1.23-1.25 per CPA unit) and, therefore, the GPT Offer has been assessed as inferior in value to the DEXUS Offer. Furthermore:

- although the value offered to CPA unitholders under each of the offers is not materially different; and
- the value offered to CPA unitholders will vary with movements in the DEXUS and GPT stapled security prices,

GPT has announced that it will not increase the consideration under the GPT Offer nor extend it beyond 24 January 2014. Consequently, the GPT Offer should not be considered an alternative to the DEXUS Offer.

CBA holds a 7.8% direct interest in CPA and effectively controls CPA through its ownership of CMIL. CBA is therefore influential in determining the outcome of any control transaction for CPA and, by making the internalisation proposal in July 2013, kicked off the recent competitive takeover activity. In this context:

- CBA has announced its intention to accept the DEXUS Offer in respect of its 7.8% direct interest if such acceptance would take the Consortium's relevant interest in CPA to at least 50.1% and the DEXUS Offer is otherwise unconditional. However, CBA has also reserved its right not to do so; and
- CBA has entered into the Facilitation Agreement with DEXUS whereby it has agreed to assist in transitioning the management of CPA should the DEXUS Offer close and the Consortium hold voting power of at least 50.1% in CPA in return for $41 million cash.

While it currently has 25.54% voting power in CPA, DEXUS will have a 14.91% unitholding in CPA when physical delivery of 350 million units occurs following the exercise of the forward contract with Deutsche Bank AG (expected to be on 24 January 2014, unless postponed). This unitholding means that any offer for 100% of CPA by any party will not succeed without the agreement of DEXUS. Although there is no minimum acceptance condition under the DEXUS Offer (indicating that the Consortium is comfortable with any level of ownership in CPA), the Consortium has shown its commitment to acquiring CPA by:

- increasing its initial indicative proposal and committing to the cost of a due diligence review;
- increasing its proposal by announcing the DEXUS Offer in response to the GPT Offer;
- DEXUS entering into the Facilitation Agreement with CBA;
- entering into the MOU with GWOF in relation to the sale of four CPA assets; and
- offering the Alternative Consideration (with a higher cash proportion) to CPA unitholders.

In comparison, when the GPT Offer closes on 24 January 2014 GPT will have no interest in CPA.

At the date of this report, the independent directors of CMIL have recommended that CPA unitholders reject the GPT Offer because, in their opinion, the DEXUS Offer provides superior value. Furthermore, the independent directors have recommended that CPA unitholders accept the DEXUS Offer, in the absence of a superior proposal. They have also stated that the board is committed to act in the best interests of CPA unitholders and will consider any proposal that maximises unitholder value.

It would be open to unitholders to reject the DEXUS Offer in anticipation of a higher offer from the Consortium or GPT. However, there is no evidence that either party would be prepared to pay a

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higher price, particularly given the competitive bidding process that has taken place. In any event, actual or effective control of CPA may pass under the DEXUS Offer.

There has been ample opportunity for an interested party other than the Consortium or GPT to make a competing offer for CPA. No such offer has been made at the date of this report but the opportunity to do so remains during the offer period (currently until 7 February 2014).

### 6.6 Other Matters

***Facilitation Payment***

DEXUS and CBA have entered into the Facilitation Agreement whereby, if the DEXUS Offer closes and the Consortium holds voting power of at least 50.1% in CPA, CBA will provide services to assist in transitioning the management of CPA to DEXUS in return for a cash payment of $41 million thereby reducing integration risk. In comparison, GPT has not entered into any facilitation arrangements with CBA and, rather, is relying on the statutory obligations of CMIL to provide reasonable assistance to a new responsible entity.

Prima facie, the $41 million payment to CBA represents an amount that DEXUS is willing to pay to acquire CPA which could otherwise have been added to the consideration under the DEXUS Offer (particularly as GPT has demonstrated that other parties consider it unnecessary to enter into similar arrangements). However:

- the amount of the payment is not material in the scheme of the offer for CPA (being less than 2 cents per CPA unit); and
- DEXUS has formed the view that (in addition to a due diligence review) the payment is warranted to reduce integration risk.

In any event, the value of the DEXUS Offer is superior to that of the GPT Offer and includes a premium over adjusted NTA that adequately compensates CPA unitholders for the attributes of the CPA property portfolio.

***Taxation Consequences***

If the DEXUS Offer becomes unconditional, accepting unitholders will be treated as having disposed of their CPA units for tax purposes. A capital gain or loss may arise on disposal depending on the cost base of the CPA units, the length of time held, whether the units are held on capital or revenue account and whether the unitholder is an Australian resident for tax purposes. A summary of the taxation consequences are set out in Appendix 1 of the Target's Statement. In particular, unitholders should note that capital gains tax scrip-for-scrip rollover relief is not available under the DEXUS Offer or the GPT Offer. Unitholders should consult their own professional adviser in relation to the taxation consequences.

***Transaction Costs***

If the DEXUS Offer is withdrawn or lapses, it is estimated that CPA will meet transaction costs associated with the suspended internalisation proposal and takeover defence costs (including legal and other adviser's fees as well as printing and mailing costs) of around $10.0 million as a standalone entity (less than 0.5 cents per unit).

***Performance Fee***

No performance fees have been paid by CPA to CMIL since 31 December 2010 and the carried forward underperformance balance was 22.6% at 30 June 2013. However, as a consequence of the takeover activity since the internalisation proposal was announced on 24 July 2013, a full performance fee of $5.7 million is payable for the six months ended 31 December 2013. This fee is to be paid out of retained earnings. Therefore, the cost of the performance fee will not be borne by CPA unitholders.

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***Ineligible Foreign Unitholders***

Ineligible foreign unitholders (i.e. CPA unitholders with registered addresses outside of Australia and its external territories and New Zealand) are not entitled to receive DEXUS stapled securities. However:

- the DEXUS securities which they would otherwise receive will be sold on market and they will receive the cash proceeds of sale (after payment of any applicable brokerage, taxes and costs) in Australian dollars;
- they can acquire DEXUS securities through the ASX if they wish to retain an exposure to the merged entity; and
- unitholders representing less than 0.1% of CPA's issued units are expected to be impacted by these provisions.

***Unmarketable Parcel Securityholders***

CPA unitholders will receive either 0.3801 or 0.4516 DEXUS stapled securities for every CPA unit depending on their consideration alternative election. Based on the closing DEXUS security price on 6 January 2014 of $1.00, unitholders holding less than 1,315 or 1,107 CPA units (respectively) will receive a less than marketable parcel of DEXUS securities (i.e. a parcel of DEXUS securities with a market value of less than $500). Unitholders who will receive a less than marketable parcel should note that DEXUS intends to sell those securities and remit the net proceeds to the unitholder. In this context:

- they can acquire DEXUS securities through the ASX if they wish to retain an exposure to the merged entity; and
- less than 5.4% of CPA unitholders (representing less than 0.2% of issued units) are expected to be impacted.

***Change in Ownership of CMIL***

On 18 December 2013, CMIL, in its capacity of responsible entity for CFS Retail Property Trust Group, announced that it had entered into an agreement with CBA to, amongst other things, internalise the management of CFS Retail Property Trust Group. If this transaction is approved by securityholders, CMIL will be acquired by CFS Retail Property Trust Group. If this occurs and there has been no change of control of CPA, CMIL will remain as the responsible entity of CPA. In this case, CMIL is confident that all funds and property management arrangements for CPA will remain in place and CMIL will take steps to secure waivers from events of default under banking facilities (CBA has agreed to provide all necessary consents or waivers for its facilities) or to obtain replacement facilities. However, it is a condition of the DEXUS Offer that there be no change of control in CMIL. The Consortium has advised that it is considering its position in relation to this matter.

### 6.7 Unitholder Decision

Grant Samuel has been engaged to prepare an independent expert's report setting out whether in its opinion the DEXUS Offer is fair and reasonable and to state reasons for that opinion. Grant Samuel has not been engaged to provide a recommendation to unitholders in relation to the DEXUS Offer, the responsibility for which lies with the directors of CMIL.

The decision whether to accept or reject the DEXUS Offer is a matter for individual unitholders based on each unitholder's views as to value, their expectations about future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from unitholder to unitholder. If in any doubt as to the action they should take in relation to the DEXUS Offer, unitholders should consult their own professional adviser.

Similarly, it is a matter for individual unitholders as to whether to buy, hold or sell securities in CPA or DEXUS. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to accept or reject the DEXUS Offer. Unitholders should consult their own professional adviser in this regard.

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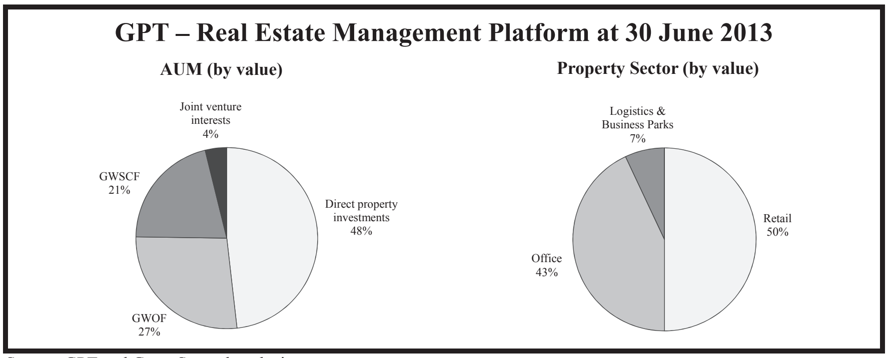
## 7 The GPT Offer

### 7.1 Overview of GPT

GPT was formed in 1959 and listed on the ASX in 1971 as General Property Trust. Today, it is an internally managed stapled entity comprising General Property Trust and GPT Management Holdings Limited ("GPT Management Holdings"). With a market capitalisation of around $5.8 billion, GPT is a top 50 ASX listed entity.

GPT invests in retail, office and logistics and business park properties in Australia and is engaged in real estate funds management, asset management and development management including for two external wholesale property investment funds, GWOF and GPT Wholesale Shopping Centre Fund ("GWSCF"). GPT's real estate management platform comprises 429 property professionals servicing 65 properties with approximately 2.6 million square metres of gross lettable area. It has $14.8 billion in AUM invested as follows:




Source: GPT and Grant Samuel analysis

GPT's operations are described in detail in Section 1 of the GPT Bidder's Statement.

### 7.2 Details of the Offer

On 19 November 2013, GPT announced that it intended to make an off-market takeover offer for all of the outstanding units in CPA. The GPT Bidder's Statement was despatched to CPA unitholders on 19 December 2013 at which time GPT had a 7.97% relevant interest in CPA[5].

The consideration under the GPT Offer is:

- 0.141 GPT stapled securities for every CPA unit[85]; plus
- $0.75325 cash for every CPA unit (less the amount of any distribution paid on a CPA unit after 19 November 2013).

The GPT Offer is subject to a number of conditions which are set out in full in the GPT Bidder's Statement including that GPT obtain a relevant interest in at least 50.1% of all CPA units.

In addition, GPT has advised that:

- CPA unitholders will be entitled to GPT distributions from the date of issue of the GPT stapled securities under the GPT Offer;
- scrip-for-scrip rollover relief will not be available for CPA unitholders in respect of any capital gain in relation to the GPT Offer; and

[85] CPA unitholders with registered addresses outside Australia (or its external territories) and New Zealand (unless GPT determines is otherwise) or who would be entitled to receive a parcel of less than $500 of GPT securities will not receive GPT stapled securities. Such unitholders will receive in cash the net proceeds (i.e. after brokerage and transaction costs) of the sale on the ASX of the GPT securities to which they would otherwise have been entitled. Fractional entitlements to GPT units will be rounded down to the nearest whole number of GPT stapled securities.

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- if GPT achieves the compulsory acquisition threshold, it has an agreement to sell five CPA assets to GWOF for $1.1 billion.

On 24 December 2014, CMIL issued a Target's Statement in relation to the GPT Offer in which the independent directors recommended CPA unitholders not accept the GPT Offer on the basis that the implied value of the DEXUS Offer is superior to the GPT Offer.

On 14 January 2014, as a consequence of the announcement of the MOU between the Consortium and GWOF on 6 January 2014, GPT announced that it would not increase the consideration under the GPT Offer nor extend it beyond 24 January 2014. Consequently, although the GPT Offer is "live" at the date of this report, it will close on 24 January 2014. Nevertheless, for the benefit of CPA unitholders, Grant Samuel sets out its assessment of the value of the consideration under the GPT Offer in the following section.

## 7.3 Value of the Consideration

### 7.3.1 Summary

Under the GPT Offer, CPA unitholders will receive 0.141 GPT stapled securities plus a cash payment of $0.75325 (less the amount of any distribution paid on a CPA unit after 19 November 2013) for every CPA unit.

Grant Samuel has attributed a value to the scrip component of the consideration of $0.4794-0.5076 per CPA unit based on a value range for GPT stapled securities of $3.50-3.70. Including the cash component of the consideration, the value of the consideration to CPA unitholders is $1.21.1.24 per unit (rounded to two decimal places) as follows:

**Value of Consideration Offered under GPT Offer**

| Consideration Component | Value per Security | Exchange Ratio | Value per CPA Unit |
|---|---|---|---|
| GPT stapled securities | $3.50-3.70 | 0.141 | $0.49350-0.52170 |
| Cash amount | | | $0.75325 |
| Less: CPA estimated distribution for six months to 31 Dec 2013 | | | $(0.03500) |
| | | | $0.71825 |
| **Total value per CPA unit** | | | **$1.21175-1.23995** |

The value of the scrip component of the consideration will vary with movements in the GPT stapled security price. Accordingly, until the securities under the GPT Offer are issued, CPA unitholders who accept the GPT Offer are exposed to events or other factors that impact the GPT security price. The actual value of the consideration could therefore ultimately exceed, or be less than $1.21-1.24 per CPA unit. Depending on the circumstances, significant (and sustained) movements in the GPT stapled security price could change the evaluation of the GPT Offer.

For the purposes of assessing the value of the GPT stapled securities under the GPT Offer, Grant Samuel has adopted the same approach as used in assessing the value of the DEXUS stapled securities under the DEXUS Offer as described in Section 5.2 of this report.

### 7.3.2 Analysis of Sharemarket Trading in GPT Securities

GPT is a liquid stock. It is a top 50 ASX listed entity and is a member of major indices.

Trading in GPT stapled securities between 1 January 2013 and 18 November 2013 (the last day of trading prior to announcement of the GPT Offer) was in the range $3.47-4.14, at a VWAP of $3.77. The closing price on 18 November 2013 was $3.68, a 2.1% discount to reported NTA per security. In line with the stockmarket generally (and REIT sector specifically), the GPT security price rose to trade above $4.00 in April/May 2013 (at a

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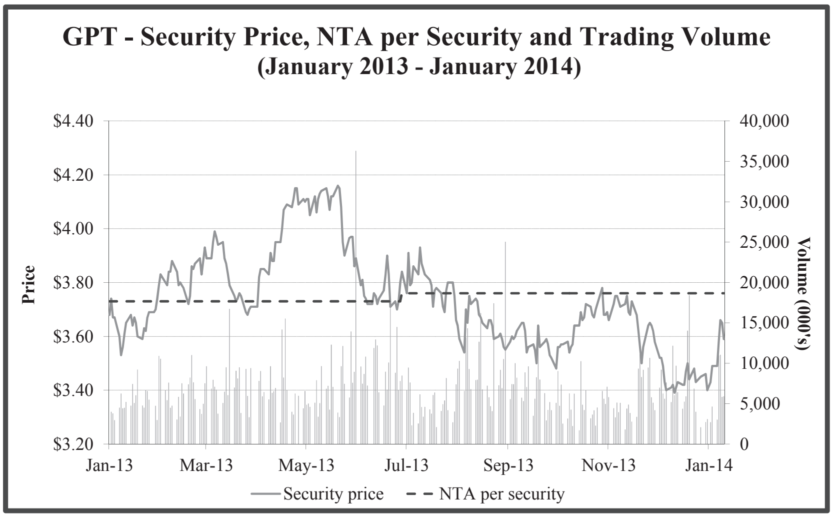
premium to NTA) and then declined in June 2013 (with a general market correction) to trade at a slight discount to NTA. Since July 2013, prior to the announcement of the GPT Offer, GPT has generally traded at a discount to NTA per security (of up to 7%):




Source: IRESS

Since announcement of the GPT Offer on 19 November 2013, GPT securities have traded in the range $3.34-3.69 (at a VWAP of $3.51) and closed at $3.59 on 10 January 2014. The closing price represents a decline of around 2.4% and a discount to reported NTA per security of around 4.5%. During this same period the Australian stockmarket has declined by around 1.3% and the S&P/ASX A-REIT Index by around 3.4% (although the market downturn appears to have commenced at the beginning of November).

GPT stapled securities commenced trading ex-distribution (10.3 cents per security) on 23 December 2013 but there was no discernable decline in the price possibly due to the CPA takeover activity. Furthermore, following announcement on 6 January 2014 of the asset purchases by GWOF under the MOU, the GPT security price has increased by around 5%, as the market believes that GPT will not proceed with its offer for CPA (as confirmed on 14 January 2014).

The important question is whether the recent performance and current price reflect the rational view of a well informed market or, alternatively, whether GPT is out of line with its peers or the market. In addressing this issue the following factors have been considered.

***GPT Compared to its Peers and the Market***

The following graph illustrates the performance of GPT stapled securities since 1 January 2013 relative to the S&P/ASX 200 A-REIT Index and S&P/ASX 200 Index:

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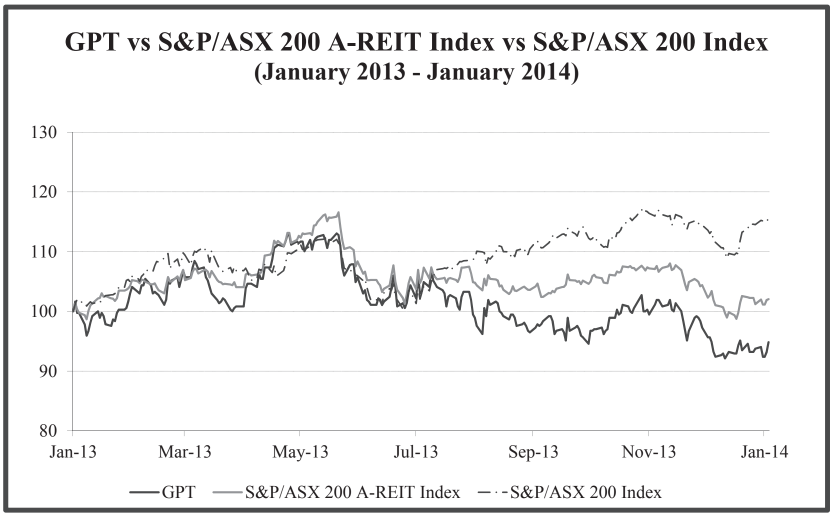


Source: IRESS

This graph shows that until early July 2013 GPT stapled securities broadly tracked the indices. Since then, it has generally underperformed possibly reflecting concerns over office lease expiries (at 30 June 2013 GPT's portfolio had 5% vacancy and 18% of leases (by area) expiring in the second half of 2013 and 2014), the weak retail sector and the CPA takeover activity. The overall stockmarket has recovered most of the decline which commenced at the beginning of November (being down only 1.8%). In contrast, the REIT sector remains 3.6% down since 1 November 2013 with the GPT security price down 1.9%. However, it should be noted that since 1 July 2013 the GPT security price has declined by 7.2%, significantly more than the REIT sector in the same period (0.4% down) with the overall stockmarket up 12.8%, implying a re-rating of GPT over that period.

GPT's market rating relative to its REIT peers (recognising that if GPT acquires 100% of CPA, its portfolio composition would be office (51%), retail (39%) and logistics and business parks (10%) and it will have a significant funds and asset management operations across each of these sectors) can be reviewed by reference to the graphs set out in Section 5.3 of this report.

GPT is an internally managed REIT with a diversified property portfolio and a significant real estate management platform. None of the listed REITs is directly comparable to GPT. DEXUS is most comparable to GPT. Both are internally managed diversified REITs and are focused on growing their third party funds management platform (the scale of which is similar). Although DEXUS's property portfolio comprises only office and industrial assets, it does manage a large portfolio of retail assets.

Based on the above analysis, there is no evidence to suggest that GPT is trading on a basis out of line with the market or its peer group.

***Broker Target Prices***

At its closing price on 10 January 2014 of $3.59, GPT is trading below broker estimates of its 12 month target price:

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| GPT – Broker Target Prices as at 10 January 2014 | | | |
|---|---|---|---|
| Broker | Date of Last Report | Target Price[64] | |
| | | Post Announcement | Pre Announcement |
| Broker 1 | 3 December 2013 | $4.12 | - |
| Broker 2 | 24 November 2013 | $3.85 | - |
| Broker 3 | 20 November 2013 | $3.80 | - |
| Broker 4 | 18 November 2013 | $4.00 | - |
| Broker 5 | 18 November 2013 | - | $3.97 |
| Broker 6 | 1 November 2013 | - | $3.89 |
| Broker 7 | 28 October 2013 | Restricted | Restricted |
| Broker 8 | 28 October 2013 | Restricted | Restricted |
| Broker 9 | 28 October 2013 | - | $4.01 |
| Broker 10 | 28 October 2013 | Restricted | Restricted |
| Broker 11 | 28 October 2013 | Restricted | Restricted |
| Broker 12 | 3 September 2013 | - | $4.00 |
| Broker 13 | 15 August 2013 | - | $3.70 |
| Broker 14 | 12 August 2013 | Restricted | Restricted |
| *Low* | | *$3.80* | *$3.70* |
| *High* | | *$4.12* | *$4.01* |
| ***Median*** | | ***$3.93*** | ***$3.97*** |

Source: Brokers' reports and Grant Samuel analysis (see Appendix 1)

The review of GPT's target prices is made difficult by the number of brokers that are research restricted. Furthermore, a number of unrestricted brokers have not published research reports since announcement of the GPT Offer and that none of the broker forecasts published post announcement assume acquisition of CPA. Nonetheless, GPT is currently trading below broker target prices. While there is no clear conclusion that can be drawn from this analysis, at a minimum there is no evidence to suggest that GPT securities are currently overpriced.

***Liquidity***

GPT is a liquid stock with average weekly volume over the twelve months prior to announcement of the GPT Offer representing annual turnover of around 97% of total average issued capital. Average weekly volume and transactions for GPT securities since announcement of the GPT Offer and prior periods is summarised below:

| GPT – Stapled Security Trading | | |
|---|---|---|
| Period | Average Weekly Volume ('000) | Average Weekly Transactions |
| 19 November 2013 to 10 January 2014 | 36,212 | 21,865 |
| 22 October 2013 to 18 November 2013 (four weeks prior to GPT Offer) | 21,894 | 16,497 |
| 1 January 2013 to 18 November 2013 | 34,585 | 23,295 |
| 19 November 2012 to 18 November 2013 (year prior to GPT Offer) | 33,697 | 22,852 |

Source: IRESS and Grant Samuel analysis

While the average weekly volume of securities traded has increased following the announcement of the GPT Offer, this is to be expected when a transaction is anticipated. Since 19 November 2013 average weekly volumes in GPT securities are around 7% higher relative to trading in the prior year (or 10% higher after allowing for the security buyback between May and September 2013) while average weekly transactions are around 4% lower than pre-announcement levels, implying larger volume transactions. The level of trading in the four weeks prior to announcement of the GPT Offer is subdued relative to longer periods but this appears to be an annual feature of GPT's security trading.

While the volume of trading activity in GPT securities has increased since the announcement of the GPT Offer, there is nothing to indicate any specific abnormal trading in GPT stapled securities.

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*Non Public Information*

Under ASX Listing Rules, GPT is required to keep the market informed of events and developments in a timely manner as they occur. Once GPT becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, it must inform the market of that information.

GPT announced its financial results for the six months ended 30 June 2013 (which incorporated disclosure of subsequent events of note) on 12 August 2013, reaffirmed its guidance for 2013 and provided guidance for 2014 on 19 November 2013 and in the GPT Bidder's Statement. Consequently, there is no reason to consider that any information relating to GPT's existing business that would have a material impact on its security price has not been publicly disclosed.

### 7.3.3 Impact of GPT Offer

*Financial Implications*

The pro forma operational and financial implications for GPT of the acquisition of CPA (including underlying assumptions) are set out in Section 6 of the GPT Bidder's Statement and summarised below:

**Pro forma Impact of GPT Offer on Financial Parameters**

| | GPT (actual) | GPT Pro Forma 100% | GPT Pro Forma 50.1%[86] |
|---|---|---|---|
| ***Stapled securities on issue at 30 June 2013 (million)*** | | | |
| Undiluted | 1,743.5 | 2,025.8 | 1,860.7 |
| Diluted | 1,807.9 | 2,090.2 | 1,925.0 |
| ***AUM as at 30 June 2013 ($million)*** | | | |
| AUM | 14,800 | 18,600 | 18,600 |
| External FUM | 7,100 | 8,200 | 9,000[87] |
| *Percentage of total* | *48%* | *44%* | *48%* |
| ***Pro forma Financial Position as at 30 June 2013 ($ million)*** | | | |
| Total assets | 6,841.7 | 12,008.8 | 12,904.2 |
| Total liabilities | 2,265.0 | 4,223.7 | 4,303.9 |
| Net assets | 6,841.7 | 7,785.1 | 8,600.3 |
| Outside equity interests | - | - | (1,366.0) |
| **Equity attributable to GPT stapled securityholders** | **6,841.7** | **7,785.1** | **7,234.3** |
| NTA | 6,790.8 | 7,622.0 | 7,127.2 |
| *NTA per stapled security (diluted)* | *$3.76* | *$3.65* | *$3.70* |
| *Gearing* | *19.9%* | *32.2%* | *30.4%* |
| ***Pro forma FFO per Security Guidance (31 December 2014)*** | | | |
| | | **Combined Group[88]** | |
| FFO per stapled security | 26.5¢ | 27.4¢ | |
| Distribution per stapled security | 21.0¢ | 21.7¢ | |
| *Payout ratio* | *79%* | *79%* | |

Source: GPT Bidder's Statement

This pro forma information indicates that the acquisition of CPA (whether on a 100% or 50.1% basis) has a material, but not transformative, impact in that it expands but does not fundamentally change GPT's operations. The acquisition has strategic benefits for GPT in that it:

- positions GPT as a leading owner and manager of office assets in Australia;

86 On the 50.1% basis, no asset sales to GWOF are assumed.

87 Increase in external FUM equates to 49.9% of CPA's total assets.

88 GPT has provided guidance for 2014 FFO per security on a "combined group basis" which appears to be on a 100% basis. However, GPT also presents FFO per security sensitivity analysis that indicates that FFO accretion does not change at any level of GPT ownership in CPA. On this basis, GPT's FFO per security guidance appears to be on a "before outside equity interests basis".

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- expands GPT's real estate management platform;
- increases GPT's investment in prime office assets;
- provides the opportunity to generate efficiencies and cost savings; and
- underpins future growth in earnings and distributions.

In this regard, at any ownership interest above 50.1%, GPT's AUM will increase to $18.6 billion (26% increase) but the mix of operations will differ. If GPT:

- acquires 100% of CPA, it will internalise all funds and asset management services and sell five assets to GWOF for $1.1 billion, thereby increasing external FUM to $8.2 billion (15% increase). As a consequence, the composition of GPT's investment property portfolio would re-weight towards office properties (51% from 34%) with retail and logistics and business parks declining to 39% and 10%, respectively; and
- acquires 50.1% of CPA, it intends to replace CMIL as responsible entity with a GPT entity and replace existing asset and development management service providers with GPT entities. This will increase its external FUM to $9.0 billion (27% increase). On this basis, GPT's investment property portfolio would also re-weight towards office properties (but to a lesser extent) (46% from 34% with retail and logistics and business parks declining to 44% and 10%, respectively[67]). However, the sector composition of GPT's AUM would be the same as on a 100% basis.

The pro forma analysis indicates that:

- the acquisition is accretive, with both FFO per security and distribution per security increasing by 3.5%. However, GPT's guidance assumes that the acquisition of CPA occurs on 31 December 2013 and therefore actual 2014 FFO per security and distribution per security may be less than presented. In addition, for ownership levels less than 100%, it is unclear to what extent FFO per security after outside equity interests (i.e. FFO attributable to GPT securityholders) may differ from GPT's guidance; and
- gearing increases from 19.9% to 32.2% (100% basis) and 30.4% (50.1% basis) with NTA per security decreasing by 2.9% (100% basis) and 1.6% (50.1% basis).

The pro forma analysis provided presents the extremes of the potential ownership outcomes under the GPT Offer. Sufficient information (including underlying assumptions) has been disclosed to enable analysis of the impact on GPT's financial position of ownership levels within this range. In this context, it is important to note that for interests between 50.1% and 90%, gearing increases towards the high end of GPT's target gearing range of 25-35% (e.g. at an 80% interest, pro forma gearing rises to around 34%). However, the guidance provided in relation to FFO and distribution per security is limited. Nevertheless, it is Grant Samuel's view that the level of information provided in the GPT Bidder's Statement is sufficient to enable analysis of the pro forma financial implications for GPT of ownership interests in CPA above 50.1%.

***Other Consequences***

At any ownership level in CPA above 50.1%, the GPT Offer will trigger:

- change of responsible entity/change of control provisions in CPA's existing borrowings documentation (including derivative financial instruments) which may lead to early repayment of borrowings (including, in some instances, at a premium to face value) and/or the payment of additional fees to lenders by CPA;
- pre-emptive rights in favour of third parties over certain CPA co-owned properties; and
- rights of first refusal in favour of CBA to acquire the interest held by CPA in certain properties leased to CBA.

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Although it could be said that the market did not have full information as to these matters until the release of the Target's Statement in relation to the GPT Offer:

- change of responsibility/change of control provisions are typical of borrowing documentation for REITs. In addition:
  - the terms and conditions of CPA's convertible notes were set out in the prospectus dated 4 December 2009 released to the market and, as appropriate, CPA releases information to the market concerning the convertible notes (including changes to the conversion price);
  - although the terms and conditions of CPA's US medium term notes are not public, change of responsible entities/change of control provisions incorporating "make whole" payments are a feature of this form of debt issue;
  - GPT has allowed for transaction costs (including an estimated for the CPA Convertible Notes) in its pro forma analysis; and
  - GPT has stated that it has funding commitments such that it can fund the cash component of the consideration, associated transaction costs and, if required, refinance CPA's existing debt from funding commitments;
- co-ownership arrangements for properties typically include pre-emptive rights. In this case, the price to be received by CPA would be either market value or a price set by CPA; and
- the CBA rights of first refusal as lessee have previously been disclosed by CPA to the market. In this case, the price to be received by CPA would be a price set by CPA or, if this price is disputed, a price determined by a jointly appointed valuer.

In any event, in terms of an entity the size of GPT, the risks associated with triggering these provisions and rights are not material.

***Partial Ownership of CPA***

If the GPT Offer becomes unconditional, the most likely scenario is that GPT will emerge with an interest in CPA in excess of 50.1% but less than 85% as DEXUS does not intend to accept the offer for its 14.91% interest. In this context, GPT will:

- gain control of CPA but:
  - face risks associated with the acquisition being undertaken on a "public markets" basis without the benefit of due diligence, engagement with CMIL in relation to integration and facilitation arrangements with CBA. Consequently, there may be unanticipated issues or costs that arise on integration; and
  - may experience inefficiencies and additional costs which arise from owning less than 100% of what may continue to be an ASX listed entity;
- not sell the CPA properties to GWOF (and therefore not crystallise capital gains);
- expand AUM to $18.6 billion (same as on a 100% basis) and its external FUM to between $7.7-9.0 billion and derive incremental funds and asset management fees (although some incremental operating costs would be incurred); and
- consolidate CPA's financial results with CPA minorities featuring as outside equity interests in GPT. The pro forma financial implications for GPT of partial ownership of CPA depends on the actual level of ownership interest but generally (as summarised above) are not materially different to that on a 100% basis.

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### 7.3.4 Conclusion

Grant Samuel's judgement is that a GPT stapled security price of $3.50-3.70 is a reasonable estimate in current market conditions of the ex-distribution security price if GPT succeeds in acquiring 100% of CPA. This range takes into account the recent performance of GPT stapled securities, the estimated 10.3 cent per security distribution for the six months ended 31 December 2013 and the financial impact of the acquisition of CPA (including pro forma NTA per stapled security).

The period since the announcement of the GPT Offer is relatively short (8 weeks). Trading in GPT stapled securities in this period has been impacted by:

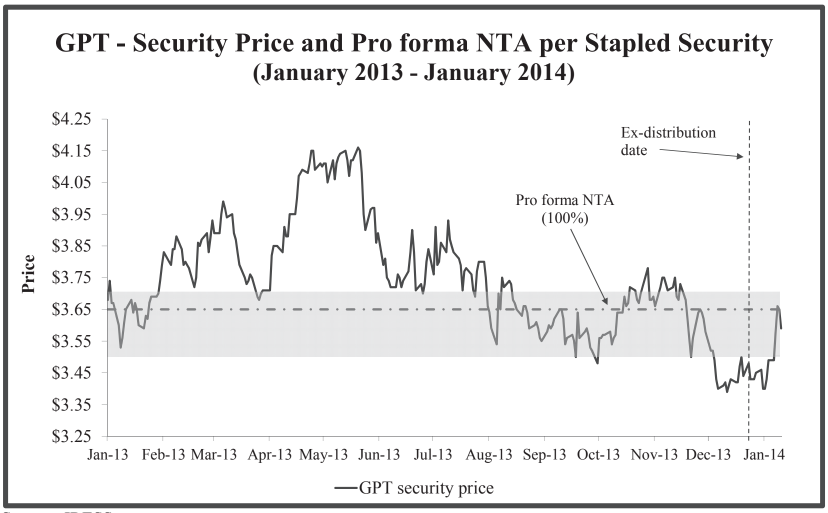
- a downturn in the market rating of the Australian REIT sector;
- changes to the frequency and timing of GPT's distribution payments;
- continuing negative views on the outlook for the office property and retail property sectors given GPT's exposure to both sectors (particularly the premium office segment); and
- speculative market activity given the competitive bidding process for CPA.

Nevertheless:

- there is no evidence to suggest that the GPT stapled security price does not reflect the rational view of a well informed market or that GPT is trading out of line with its peers or the market;
- REITs such as CPA and GPT are relatively transparent entities and sufficient information has been disclosed to enable analysis of the impact of the acquisition of CPA on GPT; and
- the market has had sufficient opportunity to absorb and analyse the impact of the transaction.

Therefore, the impact of the acquisition of CPA should be reflected in GPT's security price although uncertainty remains as whether GPT will succeed in acquiring CPA and, if it does, whether it will achieve full or partial ownership.

The selected value range relative to recent GPT stapled security prices is show below:




Source: IRESS

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In Grant Samuel's opinion, the value range of $3.50-3.70 is appropriate as it:

- reflects the range of trading prices (mostly cum distribution of 10.3 cents) since the announcement of the GPT Offer ($3.34-3.68, at a VWAP of $3.51). These security prices also encompass the recent REIT sector downturn relative to the stockmarket generally and the response to the announcement of the asset purchases by GWOF under the MOU;
- represents a (discount)/premium to pro forma NTA (100% basis) in the range (4.1%)-1.4% which is not inconsistent with the discounts to NTA at which GPT securities have traded in the period prior to the announcement of the GPT Offer; and
- reflects a value for GPT's operating cost structure and external funds management activities. This can be seen through an analysis of adjusted NTA for GPT. Grant Samuel has attributed a capitalised value of $325 million ($0.16 per security) for GPT's net corporate overhead costs assuming 100% acquisition of CPA ($22 million)[89] having regard to the weighted average capitalisation rate of the combined GPT property portfolio assuming $1.1 billion of assets are sold to GWOF (6.78%)[90]. On this basis, adjusted NTA (100% basis) is $3.49[91] per stapled security and the selected value range implies a premium in the range of (1%)-5% for GPT's other activities.

Whether the stapled security price will be different if GPT acquires more than 50.1% but less than 100% of CPA is difficult to judge and is little more than speculation. However:

- the financial consequences for GPT at different ownership levels are not materially different (and it will be earning funds and asset management fees from CPA);
- other implications of partial ownership of CPA are not materially adverse although risks exist due to the "public markets" basis for the takeover offer; and
- this outcome is likely to be resolved in due course as it does not make sense for either GPT or DEXUS. In particular, it is unlikely that DEXUS would be prepared to hold a minority interest in an illiquid stock controlled by GPT in the long term. However, there is no certainty as to when and how the situation would be resolved.

On balance, it is reasonable to assume that the selected value range for GPT stapled securities of $3.50-3.70 is appropriate for any ownership outcome of the GPT Offer.

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89 Net costs of $22 million calculated based on information disclosed by GPT as follows:
- corporate overheads and portfolio expenses of $80 million and external management revenue of $50 million in 2012;
- standalone cost savings of $7 million per annum as a consequence of initiatives implemented in 2012;
- incremental operating expenses of $3 million per annum as a result of the GPT Offer; and
- incremental management fees of $4.5 million per annum following the sale of $1.1 billion of assets to GWOF.

90 Calculated based on information set out in Sections 1.3 and 6.4(d) of the GPT Bidders' Statement.

91 Pro forma NTA ($3.65 per security) less capitalised value of net costs ($0.16 per security).

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## 8 Qualifications, Declarations and Consents

### 8.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally) and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 490 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Caleena Stilwell BBus FCA F Fin and Stephen Wilson BCom MCom(Hons) CA(NZ) SF Fin. Each has a significant number of years of experience in relevant corporate advisory matters. Celeste Oakley BEc LLB CFA F Fin and Lachlan Whittaker BCom (Liberal Studies)(Hons) CA assisted in the preparation of the report. Each of the above persons is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

### 8.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the DEXUS Offer is fair and reasonable. Grant Samuel expressly disclaims any liability to any CPA unitholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Target's Statement issued by CMIL and has not verified or approved any of the contents of the Target's Statement. Grant Samuel does not accept any responsibility for the contents of the Target's Statement (except for this report).

### 8.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any business or professional relationship with CMIL, CPA, CBA, DEXUS, CPPIB or GPT or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the DEXUS Offer. Grant Samuel advises that:

- Mr John Conde AO, a non-executive director of DEXUS, is a member of the Grant Samuel Corporate Finance Advisory Board. He is not involved in the day to day operations of Grant Samuel;
- in July 2013 Grant Samuel was retained by a subsidiary of GPT to review its forecasts and provide advice as to potential value. The assignment was completed in August 2013 and Grant Samuel received a fee of $35,000; and
- in September 2013 Grant Samuel was engaged by CMIL as responsible entity for CFS Retail Property Trust Group to prepare an independent expert's report if an agreement was reached with CBA in relation to internalisation of its management and the acquisition of the wholesale funds management and integrated retail property management and development business of Colonial First State Global Asset Management.

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In September 2013, Grant Samuel was engaged by CMIL as responsible entity for CPA to prepare an independent expert's report if an agreement was reached with CBA in relation to internalisation of CPA's management. Grant Samuel commenced analysis for a report in relation to the internalisation proposal in October 2013. Following announcement of the Consortium Proposal on 11 November 2013, CMIL requested Grant Samuel redirect its analysis to a report on a control transaction involving CPA. This work did not involve Grant Samuel participating in the setting the terms of, or any negotiations leading to, the DEXUS Offer.

Grant Samuel had no part in the formulation of the DEXUS Offer. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $400,000 for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the DEXUS Offer. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Regulatory Guide 112 issued by the ASIC on 30 March 2011.

### 8.4 Declarations

CPA has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. CPA has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Any claims by CPA are limited to an amount equal to two times the total fees paid to Grant Samuel. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action.

Advance drafts of this report were provided to CPA and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

### 8.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target's Statement to be sent to unitholders of CPA. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

### 8.6 Other

The accompanying letter dated 17 January 2014 and the Appendices form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

**GRANT SAMUEL & ASSOCIATES PTY LIMITED**
17 January 2014

Grant Samuel & Associates

GRANT SAMUEL

## Appendix 1

## Broker Consensus Forecasts

**Commonwealth Property Office Fund ("CPA")**

Set out below is a summary of forecast FFO and distribution per unit prepared by brokers that follow CPA in the Australian stockmarket:

**CPA – Broker Forecasts as at 10 January 2014**

| Broker | Report Date | FFO[1] (cents per unit) | | | | Distribution (cents per unit) | | | | Distribution Growth | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | FY13 | FY14 | FY15 | FY16 | FY13 | FY14 | FY15 | FY16 | FY14 | FY15 | FY16 | 3 Year CAGR |
| Broker 1 | 23-Oct-13 | 8.80 | 8.81 | 8.84 | 9.09 | 6.55 | 6.70 | 6.85 | 7.00 | 2.3% | 2.2% | 2.2% | 2.2% |
| Broker 2 | 20-Aug-13 | 8.82 | 8.74 | 9.10 | 9.36 | 6.55 | 6.55 | 6.85 | 7.10 | - | 4.6% | 3.6% | 2.7% |
| Broker 3 | 20-Nov-13 | 8.80 | 8.80 | na | na | 6.55 | 6.60 | na | na | 0.8% | na | na | na |
| Broker 4 | 11-Oct-13 | na[2] | na | na | na | 6.55 | 7.00 | 7.00 | na | 6.9% | - | na | na |
| Broker 5 | 20-Aug-13 | R[3] | R | R | R | R | R | R | R | R | R | R | R |
| Broker 6 | 29-Nov-13 | 8.80 | 8.90 | 8.90 | 8.80 | 6.55 | 6.70 | 6.80 | 6.80 | 2.3% | 1.5% | - | 1.3% |
| Broker 7 | 14-Oct-13 | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 8 | 21-Aug-13 | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 9 | 20-Aug-13 | 8.80 | 8.80 | 9.10 | 9.50 | 6.55 | 6.60 | 6.80 | 7.10 | 0.8% | 3.0% | 4.4% | 2.7% |
| Broker 10 | 20-Aug-13 | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 11 | 20-Aug-13 | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 12 | 3-Sep-13 | 8.82 | 8.60 | 8.81 | 9.14 | 6.55 | 6.54 | 6.60 | 6.85 | (0.2%) | 0.9% | 3.8% | 1.5% |
| Broker 13 | 27-Aug-13 | na | na | na | na | 6.55 | 6.55 | 6.68 | na | - | 2.0% | na | na |
| Broker 14 | 20-Aug-13 | R | R | R | R | R | R | R | R | R | R | R | R |
| *Minimum* | | | *8.60* | *8.81* | *8.80* | | *6.54* | *6.60* | *6.80* | *(0.2%)* | *-* | *-* | *1.3%* |
| *Maximum* | | | *8.90* | *9.10* | *9.50* | | *7.00* | *7.00* | *7.10* | *6.9%* | *4.6%* | *4.4%* | *2.7%* |
| ***Median*** | | | ***8.80*** | ***8.90*** | ***9.14*** | | ***6.60*** | ***6.80*** | ***7.00*** | ***0.8%*** | ***3.0%*** | ***2.9%*** | ***2.2%*** |

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- CPA has a 30 June year end;
- the data represents the latest available broker forecasts for CPA;
- as far as Grant Samuel is aware, CPA is currently followed by 14 brokers, however, six of these have suspended coverage and/or have research restrictions in place;
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that FFO per security forecasts have been prepared consistently and are calculated in accordance with CPA's definition of FFO per security and that distributions per security are based on CPA's announced distribution payout ratio of 70-80% of FFO; and
- all of the brokers presented have published research following the announcement of CPA's full year results on 20 August 2013. However, none have published research since CPA upgraded its distribution guidance for FY14 to 6.75 cents per unit on 5 December 2013. Therefore, for analytical purposes the broker median distribution per unit for FY14 has been ignored.

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1 FFO = funds from operations
2 na = not available
3 R = restricted. The brokers with research activity restricted are acting as advisers to either GPT, DEXUS or CPPIB.

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*DEXUS Property Group ("DEXUS")*

Set out below is a summary of target prices and forecast FFO and distribution per stapled security prepared by brokers that follow DEXUS in the Australian stockmarket:

| DEXUS – Broker Target Prices and Forecasts as at 10 January 2014 ($ millions) | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Broker | Date | Target Price | FFO (cents per security) | | | | Distribution (cents per security) | | | | Distribution Growth | | | | |
| | | | FY13 | FY14 | FY15 | FY16 | FY13 | FY14 | FY15 | FY16 | FY14 | FY15 | FY16 | 3 Year CAGR |
| Broker 1 | 12-Dec-13 | $1.17 | 7.75 | 8.00 | 8.40 | 8.80 | 6.00 | 6.12 | 6.38 | 6.63 | 2.0% | 4.2% | 3.9% | 3.4% |
| Broker 2 | 11-Oct-13 | $1.11 | 7.75 | 8.20 | 8.40 | 8.90 | 6.00 | 6.10 | 6.30 | 6.70 | 1.7% | 3.3% | 6.3% | 3.7% |
| Broker 3 | 20-Nov-13 | $1.22 | 7.75 | 8.20 | na | na | 6.00 | 6.10 | na | na | 1.7% | na | na | na |
| Broker 4 | 11-Oct-13 | $1.11 | 7.75 | na | na | na | 6.00 | 6.00 | 6.00 | na | - | - | na | na |
| Broker 5 | 19-Aug-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 6 | 7-Oct-13 | $1.13 | 7.75 | na | na | na | 6.00 | na | na | na | na | na | na | na |
| Broker 7 | 11-Nov-13 | $1.19 | 7.75 | 8.30 | 8.50 | 8.80 | 6.00 | 6.20 | 6.40 | 6.60 | 3.3% | 3.2% | 3.1% | 3.2% |
| Broker 8 | 19-Aug-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 9 | 10-Dec-13 | $1.15 | 7.75 | 8.30 | 9.10 | 9.50 | 6.00 | 6.20 | 6.60 | 6.90 | 3.3% | 6.5% | 4.5% | 4.8% |
| Broker 10 | 19-Aug-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 11 | 22-Oct-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 12 | 12-Dec-13 | $1.15 | 7.75 | 8.30 | 8.58 | 8.86 | 6.00 | 6.15 | 6.38 | 6.73 | 2.5% | 3.7% | 5.5% | 3.9% |
| Broker 13 | 19-Aug-13 | $1.00 | 7.75 | na | na | na | 6.00 | 6.22 | 6.41 | na | 3.7% | 3.1% | na | na |
| Broker 14 | 19-Aug-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| *Minimum* | | *$1.00* | | *8.00* | *8.40* | *8.80* | | *6.00* | *6.00* | *6.60* | *-* | *-* | *3.1%* | *3.2%* |
| *Maximum* | | *$1.22* | | *8.30* | *9.10* | *9.50* | | *6.22* | *6.60* | *6.90* | *3.7%* | *6.5%* | *6.3%* | *4.8%* |
| ***Median*** | | ***$1.15*** | | ***8.25*** | ***8.50*** | ***8.86*** | | ***6.14*** | ***6.38*** | ***6.70*** | ***2.3%*** | ***4.0%*** | ***5.0%*** | ***3.7%*** |

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- DEXUS has a 30 June year end;
- the data represents the latest available broker forecasts for DEXUS;
- as far as Grant Samuel is aware, DEXUS is currently followed by 14 brokers, however, five of these have research restrictions in place;
- all of the brokers presented have published research following the announcement of DEXUS's full year results on 19 August 2013. However, only three unrestricted brokers have published research since DEXUS updated its FFO guidance for FY14 to 8.29 cents per security on 10 December 2013, two of which were published after the announcement of the DEXUS Offer on 11 December 2013; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that:
  - FFO per security forecasts have been prepared consistently and are calculated in accordance with DEXUS's definition of FFO per security and distributions per security have been calculated based on DEXUS's announced distribution payout ratio of 70-80% of FFO, with the expectation of an average payout ratio over time of around 75% of FFO; and
  - the broker forecasts are for DEXUS standalone and not for DEXUS assuming acquisition of CPA (i.e. not reflecting the DEXUS Offer).

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### The GPT Group ("GPT")

Set out below is a summary of target prices and forecast FFO and distribution per stapled security prepared by brokers that follow GPT in the Australian stockmarket:

**GPT – Broker Target Prices and Forecasts as at 10 January 2014**

| Broker | Date | Target Price | FFO (cents per security) | | | | Distribution (cents per security) | | | | Distribution Growth | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2012 | 2013 | 2014 | 2015 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 | 2015 | 3 Year CAGR |
| ***Post announcement of GPT Offer*** | | | | | | | | | | | | | | |
| Broker 1 | 3-Dec-13 | $4.12 | 24.20 | 25.48 | 25.89 | 26.74 | 19.30 | 20.27 | 20.71 | 21.39 | 5.0% | 2.2% | 3.3% | 3.5% |
| Broker 2 | 24-Nov-13 | $3.85 | 24.20 | 25.70 | 26.80 | 28.20 | 19.30 | 20.30 | 21.40 | 22.50 | 5.2% | 5.4% | 5.1% | 5.2% |
| Broker 3 | 20-Nov-13 | $3.80 | 24.20 | 25.40 | 26.40 | na | 19.30 | 20.30 | 21.20 | na | 5.2% | 4.4% | na | na |
| Broker 4 | 18-Nov-13 | $4.00 | 24.20 | 26.00 | 27.00 | na | 19.30 | 21.00 | 22.00 | na | 8.8% | 4.8% | na | na |
| *Minimum* | | *$3.80* | | *25.40* | *25.89* | *26.74* | | *20.27* | *20.71* | *21.39* | *5.0%* | *2.2%* | *3.3%* | *3.5%* |
| *Maximum* | | *$4.12* | | *26.00* | *27.00* | *28.20* | | *21.00* | *22.00* | *22.50* | *8.8%* | *5.4%* | *5.1%* | *5.2%* |
| ***Median*** | | ***$3.93*** | | ***25.59*** | ***26.60*** | ***27.47*** | | ***20.30*** | ***21.30*** | ***21.95*** | ***5.2%*** | ***4.9%*** | ***3.0%*** | ***4.4%*** |
| ***Pre-announcement of GPT Offer*** | | | | | | | | | | | | | | |
| Broker 5 | 18-Nov-13 | $3.97 | 24.20 | 25.70 | 26.50 | 28.00 | 19.30 | 20.80 | 21.40 | 22.70 | 7.8% | 2.9% | 6.1% | 5.6% |
| Broker 6 | 1-Nov-13 | $3.89 | 24.20 | 25.60 | 26.20 | 27.10 | 19.30 | 20.40 | 21.00 | 21.70 | 5.7% | 2.9% | 3.3% | 4.0% |
| Broker 7 | 28-Oct-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 8 | 28-Oct-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 9 | 28-Oct-13 | $4.01 | 24.20 | 25.70 | 26.60 | 27.70 | 19.30 | 20.30 | 21.20 | 22.00 | 5.2% | 4.4% | 3.8% | 4.5% |
| Broker 10 | 28-Oct-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 11 | 28-Oct-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| Broker 12 | 3-Sep-13 | $4.00 | 24.20 | 25.61 | 26.48 | 27.23 | 19.30 | 20.83 | 21.54 | 22.15 | 7.9% | 3.4% | 2.8% | 4.7% |
| Broker 13 | 15-Aug-13 | $3.70 | 24.20 | na | na | na | 19.30 | 20.30 | 21.10 | na | 5.2% | 3.9% | na | na |
| Broker 14 | 12-Aug-13 | R | R | R | R | R | R | R | R | R | R | R | R | R |
| *Minimum* | | *$3.70* | | *25.60* | *26.20* | *27.10* | | *20.30* | *21.00* | *21.70* | *5.2%* | *2.9%* | *2.8%* | *4.0%* |
| *Maximum* | | *$4.01* | | *25.70* | *26.60* | *28.00* | | *20.83* | *21.54* | *22.70* | *7.9%* | *4.4%* | *6.1%* | *5.6%* |
| ***Median*** | | ***$3.97*** | | ***25.66*** | ***26.49*** | ***27.47*** | | ***20.40*** | ***21.20*** | ***22.08*** | ***5.7%*** | ***3.9%*** | ***4.1%*** | ***4.6%*** |

Source: Brokers' reports, Grant Samuel analysis

When reviewing this data the following should be noted:

- GPT has a 31 December year end;
- the data represents the latest available broker forecasts for GPT;
- as far as Grant Samuel is aware, GPT is currently followed by 14 brokers, however, five of these have research restrictions in place;
- all of the brokers presented have published research following the announcement of GPT's half year results on 12 August 2013. Most reports on GPT are published after it upgraded its 2013 guidance on 28 October 2013 to 20.4 cents per security, however, only four brokers have published research after 19 November 2013 when GPT announced the GPT Offer and provided 2014 distribution guidance of 21.0 cent per security; and
- as far as is possible to identify from a review of the brokers' reports, Grant Samuel believes that:
  - FFO per security forecasts have been prepared consistently and are calculated in accordance with GPT's definition of FFO per security and that distributions per security are based on GPT's distribution payout ratio of 100% of adjusted FFO (which equates to 80% of realised operating income which itself approximates FFO); and
  - the post announcement broker forecasts are for GPT standalone and not for GPT assuming acquisition of CPA (i.e. not reflecting the GPT Offer).

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## Appendix 2
## Market Evidence

### 1 Valuation Evidence from Transactions

Prior to 2008 there was significant consolidation in the listed real estate investment trust ("REIT") sector in Australia, the rationale for which was to access the benefits of size and scale (e.g. increased liquidity, greater diversification and a lower cost of capital). During this period, the availability of funds for growth increased the number of listed property groups and, due to the limitations of the relatively small Australian market, resulted in the development of Australian REITs holding international real estate assets. The global economic downturn (which commenced with the global financial crisis in late 2007) had a significant impact on the REIT sector. Market conditions were challenging with limited access to debt and equity funding, declining property values and weaker economic conditions with most transactions in the 2008-2011 period reflecting a level of financial distress for the target. However, as REITs have refocused (e.g. by sale of non-core assets, divestment of overseas portfolios) and market conditions have stabilised, investor interest in the sector has increased.

#### (a) Transactions since 2007

The premiums/(discounts) to net tangible assets and exit yields for control transactions involving listed REITs since 2007 are set out in the table below:

**Australian Listed REIT Transactions since 2007**

| Date | Target | Transaction | Consider-ation[1] ($ millions) | Premium/ (Discount) to NTA[2] | Exit Yield[3] | |
|---|---|---|---|---|---|---|
| | | | | | Historical | Forecast |
| Apr 12 | Thakral Holdings Group | Cash offer by Brookfield Asset Management Inc | 507 | (15.6)%[4] | na[5] | na |
| Jan 12 | Charter Hall Office REIT | Cash offer by a consortium including Charter Hall Group | 1,228 | (3.9)% | na[6] | 5.3-6.5%[7] |
| Jan 12 | Abacus Storage Fund | Merger with Abacus Property Group | 132 | (8.2)% | 7.4% | na[8] |
| Apr 11 | Valad Property Group | Cash offer by Blackstone Real Estate Advisers | 209 | (22.1)% | na[9] | na |
| Apr 11 | Rabinov | Scrip offer by Growthpoint | 50 | (4.3)% | 10.0% | 8.6% |
| Dec 10 | ING Industrial Fund | Cash offer by Goodman Group led consortium | 1,395 | (1.5)% | 3.0% | 6.0% |
| Jul 10 | MacarthurCook Industrial Property | Cash offer by CommonWealth REIT | 43 | (32.1)% | 4.1% | 4.1% |
| Apr 10 | Westpac Office Trust | Cash/scrip offer by Mirvac | 417 | 3.1% | 7.7% | 7.7% |
| Oct 09 | Mirvac Real Estate Investment Trust | Cash and scrip/scrip offer by Mirvac | 373 | (29.9)% | 5.5% | 5.4% |
| May 09 | Orchard Industrial Property Fund | Recapitalisation by Growthpoint | 255 | (11.9)% | na[10] | 8.8%[10] |

Source: Grant Samuel analysis[11]

1 Implied value of 100% of entity acquired.
2 NTA is net tangible assets. NTA is as last reported and includes provision for distribution.
3 Exit yield has been calculated as distribution per unit divided by consideration per unit.
4 Based on NTA adjusted for partly paid securities and the fair value of operating leasehold land and valuation surplus not recognised for hotel properties under accounting standards. On an unadjusted basis, the discount to NTA is 8.6%.
5 na = not available. At the time of the transaction Thakral was not paying distributions.
6 Charter Hall Office REIT's historical distribution reflected the earnings of the United States property portfolio that was in the process of being sold at the time of the transaction and therefore the historical exit yield is not meaningful.
7 Based on management guidance for operating earnings of 17.5-18.0 cents per unit and the target distribution payout ratio of 75-90%.
8 As a result of Abacus' need to meet debt covenants, its ability to pay a future distribution was uncertain.
9 Valad had not paid a distribution since 2008.
10 Orchard Industrial Property Fund's historical distribution per unit represented securities in issue and therefore the historical exit yield is not meaningful. The forecast exit yield is based on the expected distribution for the first full year following the recapitalisation.

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These transactions have generally taken place at quite significant discounts to NTA and at a range of exit yields. The following factors are relevant to consideration of the transaction evidence:

- the transaction metrics reflect the particular circumstances of the target REITS at the time of each transaction. For example, Valad Property Group, MacarthurCook Industrial Property Fund, Mirvac Real Estate Investment Trust and Orchard Industrial Property Fund were arguably in some financial distress at the time of their transactions and are, therefore, not comparable to CPA;
- the timing of the transactions also has an impact on the premium/(discount) to NTA as the earlier transactions took place prior to the write down of the book value of assets in the entity's accounts, implying a greater discount to NTA than might have been the case;
- the Abacus Storage Fund and Rabinov Property Trust transactions involved scrip consideration which enabled securityholders to retain their exposure to any general recovery in property markets; and
- the discount to NTA implied by the Thakral Holdings Group transaction is relatively high at 15.6% and likely reflects that other parties may have been dissuaded from making alternative offers by Brookfield's existing relevant interest in 38.6% voting power in Thakral (although it had no actual securityholding).

The remaining three transactions (Charter Hall Office REIT, ING Industrial Fund and Westpac Office Trust) took place at around NTA in the range (3.9)-3.1% and at forecast exit yields in the range of 5.3-7.7%. In relation to these transactions:

- ING Industrial Fund is least comparable to CPA as it did not have an exposure to the office property sector;
- Westpac Office Trust with a substantial exposure (94%) to the New South Wales office property market was more geographically concentrated than CPA. It also had a higher average remaining lease term (8.7 years) and higher occupancy (99%) but lower quality assets (84% A-grade properties and no premium properties). Furthermore, Westpac Office Trust was a highly geared REIT (62% at 31 December 2009) and the transaction took place at a time of great market uncertainty following the global financial crisis; and
- Charter Hall Office REIT is the most comparable entity to CPA. In this regard, its $1.85 billion property portfolio was predominantly premium and A-grade office properties (94% of book value), had an average remaining lease term of 4.5 years and 97% occupancy and, at the time of the transaction, it had an active development pipeline (albeit scaled back relative to prior periods). Charter Hall Office REIT's geographic diversification was also similar to CPA's although it had a greater weighting to New South Wales (62.4%) with Sydney's central business district accounting for 45.7% of book value. Charter Hall Office REIT's pro forma balance sheet gearing at 31 December 2011 was 28.3%.

A brief summary of each transaction since 2007 is set out below:

***Acquisition of Thakral Holdings Group by Brookfield Asset Management Inc.***

On 19 April 2012, Brookfield Asset Management Inc. ("Brookfield") announced an all cash takeover offer for Thakral Holdings Group ("Thakral") at $0.70 per stapled security. On the same day, as a consequence of enforcing security under debentures, Brookfield acquired relevant interests in 38.6% voting power in Thakral. The independent directors of Thakral unanimously recommended securityholders to reject Brookfield's offer. On 22 August 2012, and after Thakral solicited a competitive process for alternative proposals, Brookfield and Thakral entered into an implementation deed under which Brookfield agreed to declare its offer unconditional, establish an acceptance facility and agreed to increase the officer to $0.81 per stapled security if it became entitled to 90% of Thakral securities (which

[11] Grant Samuel analysis based on data obtained from IRESS, Capital IQ, REIT announcements, transaction documentation and, in the absence of published distribution forecasts, brokers' reports. Where distribution forecasts are not available, the median of the forecasts prepared by a range of brokers has generally been used to derive distribution forecasts. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

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occurred on 11 September 2012). Thakral was the only listed property group with a primary focus on hotels. It had a $1,064 million portfolio of hotels (62% of portfolio value), retail and commercial buildings, residential buildings and development properties. With the exception of the Osaka Residential Apartments located in Japan, all of Thakral's properties were located on the east coast of Australia.

***Acquisition of Charter Hall Office REIT by a Consortium (including Charter Hall Group)***

On 3 January 2012, the independent directors of Charter Hall Office Management Limited, responsible entity for the Charter Hall Office REIT ("CQO"), announced it had entered into a Scheme Implementation Agreement with Reco Ambrosia Pte Ltd (an affiliate of Government of Singapore Investment Corporation Pte Ltd), the Public Sector Pension Investment Board of Canada and a member of Charter Hall Group (collectively, the "Bidders") under which the Bidders would acquire CQO (excluding its United States property assets which CQO was in the process of selling to Beacon Capital Partners, LLC for US$1.71 billion) for cash consideration. Therefore, the consortium was effectively acquiring CQO's Australian property portfolio which comprised interests in 18 assets across eight Australian office markets (predominantly premium and A grade office properties). As at 31 December 2011 the portfolio had a book value of $1.85 billion and CQO's pro forma balance sheet gearing was 28.3%.

***Merger of Abacus Storage Fund with Abacus Property Group***

On 13 January 2012, Abacus Property Group ("APG") announced its intention to merge with Abacus Storage Fund ("Abacus"). APG is an internally managed listed REIT providing exposure to a diversified portfolio of property assets, mortgage investments, property development ventures and property funds management in Australia and New Zealand. Abacus is an unlisted stapled entity with a portfolio of 41 self-storage properties in Australia and New Zealand. Abacus is externally managed by APG with property management conducted by Storage King. The announcement followed a strategic review of increasingly tight bank covenants for Abacus and uncertainty regarding its ability to refinance or repay debt in August 2013. Unlike other property sectors, the self-storage sector is characterised by short-term rental of storage space with no long-term contracts. As a result, Abacus' property income was subject to short-term fluctuations and has a greater degree of risk. The relatively high discount to NTA likely reflects the financial situation and the inherent greater risk in Abacus' property income.

***Acquisition of Valad Property Group by Blackstone Real Estate Advisers LLC***

On 29 April 2011, Valad Property Group ("Valad") announced that it had entered into a scheme implementation agreement with Blackstone Real Estate Advisors LLC. Valad was engaged in property investment in Australia and New Zealand (68% of EBITDA for the half year ended 31 December 2010), European funds management (22% of EBITDA) as well as development and co-investments. At 31 December 2010, its property portfolio comprised 27 properties valued at $569 million in the office (31% of value), industrial (28%), bulky goods (24%) as well as hotel and residential sectors which were predominantly located in Australia (88%) as well as New Zealand (12%). The weighted average lease expiry was 4.4 years and occupancy was 97%. Valad had relatively high gearing of 51% at 31 December 2010 and had not paid a distribution since 2008.

***Acquisition of Rabinov Property Trust by Growthpoint Properties Australia***

On 13 April 2011, Rabinov Property Trust ("Rabinov") announced that it had entered into an implementation agreement with Growthpoint Properties Australia ("Growthpoint") whereby Growthpoint would acquire all of the units in Rabinov for scrip consideration. As at 31 December 2010, Rabinov had a portfolio of 12 properties valued at $235 million in the office (70% of value), industrial (28%) and retail (2%) sectors located in Victoria (71%), South Australia (15%), Tasmania (12%) and Queensland (3%). Rabinov's office property portfolio comprises relatively low quality assets. The weighted average lease expiry was 6.6 years and occupancy was 100%. Rabinov was owned 83.4% by Rabinov Holdings Pty Limited and had gearing of 77% as at 31 December 2010.

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*Acquisition of ING Industrial Fund by Goodman Group Led Consortium*

On 23 December 2010, ING Industrial Fund ("IIF") announced that it had received a proposal from Goodman Group. As at 31 December 2010, IIF had a portfolio of 61 industrial properties valued at $2.5 billion which were located in Australia (86% of value) and Western Europe (14%). The weighted average lease expiry was 4.5 years and occupancy of 98%. As at 31 December 2010, IIF had gearing of 27% and look through gearing of 42%. No distribution was paid in the first half of the 2010 financial year (historical period). Consequently, the forecast exit yield exceeds the historical exit yield.

*Acquisition of MacarthurCook Industrial Property Fund by CommonWealth REIT*

On 12 July 2010, MacarthurCook Industrial Property Fund ("MacarthurCook") announced that it had received a proposal from CommonWealth REIT to acquire all units in the fund for cash consideration. As at 30 June 2010, MacarthurCook had a portfolio of 10 industrial properties valued at $106.1 million located throughout Australia. The weighted average lease expiry was 4.6 years and occupancy was 85%. MacarthurCook was in financial distress although gearing was moderate at 40% at 30 June 2010.

*Acquisition of Westpac Office Trust by Mirvac Group*

On 28 April 2010, Westpac Office Trust ("WOT") announced it had received a proposal from Mirvac Group ("Mirvac") to acquire the units and instalment receipts of WOT for cash or scrip. As at 31 December 2009, WOT had a portfolio comprising 7 office properties valued at $1.1 billion which were predominantly (94%) located in New South Wales. The weighted average lease expiry was 8.7 years and occupancy was 99%. Approximately 84% of the portfolio was classed A-grade and 94% of rental income was received from investment grade tenants. At 31 December 2009, WOT's gearing was 62%.

*Acquisition of Mirvac Real Estate Investment Trust by Mirvac Group*

On 12 October 2009, Mirvac Real Estate Investment Trust ("MREIT") announced that it had received an offer from Mirvac to acquire the remaining 75.4% interest in MREIT for scrip or a combination of cash and scrip. MREIT was externally managed by a subsidiary of Mirvac, which owned 24.6% of MREIT. As at 30 June 2009, MREIT had a property portfolio comprising 35 properties valued at $1.0 billion in the retail (36% of value), commercial (31%), industrial/business park (17%) and hotel (16%) property sectors located primarily in Australia (99%). The weighted average lease expiry was 4.8 years and occupancy was 94%. MREIT is also engaged in development activities. MREIT was in financial distress and as at 30 June 2009, MREIT had gearing of 45% and look through gearing of 49%.

*Recapitalisation of Orchard Industrial Property Fund by Growthpoint Properties Limited*

On 18 May 2009, Orchard Industrial Property Fund ("Orchard") announced that it had entered into an implementation agreement with Growthpoint to recapitalise and restructure the trust. The transaction would result in Growthpoint owning between 60% and 78% of Orchard. As at 31 May 2009, Orchard had a portfolio comprising 23 industrial properties valued at $650 million and located throughout Australia. The weighted average lease expiry was 11 years and occupancy was 98%. Orchard was owned 41.5% by Orchard Diversified Property Fund. Orchard was in financial distress with gearing at 31 December 2008 of 66%. The high historical exit yield reflects higher distributions from the pre-crisis 2008 financial year. Distributions of 1.25 cents were paid in each of the first and second quarters of the 2009 financial year. In March 2009, the distribution policy was changed from quarterly to half yearly (such that there was no distribution in the March quarter of 2009). If the transaction did not proceed, it was uncertain whether a distribution would be paid for the half year to 30 June 2009 since it was likely Orchard's loan-to-value ratio would exceed debt covenants and it would be necessary to reduce gearing, including through asset sales and the suspension of distributions. Therefore, the forecast exit yield is calculated based on a distribution of 2.5 cents for the 2009 financial year.

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**(b) Transactions from 2000 to 2007**

The premiums/(discounts) to net tangible assets and exit yields for control transactions involving listed REITs in the period from 2000 to 2007 are set out in the table below:

| Australian Listed REIT Transactions 2000 to 2007 | | | | | | |
|---|---|---|---|---|---|---|
| Date | Target | Bidder | Consid-eration ($ millions) | Premium/ (Discount) to NTA | Exit Yield Historical | Exit Yield Forecast |
| Jun 07 | Multiplex Group | Brookfield Asset Management Inc | 4,229 | 61.3% | 5.0% | 3.7% |
| May 07 | Investa Property Group | Morgan Stanley | 4,699 | 56.2% | 5.0% | 5.2% |
| Apr 07 | Macquarie ProLogis Trust | Pro Logis | 1,239 | 12.4% | 5.9% | 5.9% |
| Oct 04 | James Fielding Group | Mirvac Group | 499 | 38.6% | 7.1% | 7.8% |
| Sep 04 | Ronin Property Group | Multiplex Group | 1,308 | 16.5% | 7.4% | 7.4% |
| Jul 04 | Principal America Office Trust | Macquarie Office Trust | 857 | 25.3% | 8.6% | 8.8% |
| Jul 04 | Prime Retail Group | Centro Properties Group | 393 | 9.3% | 10.2% | 8.9% |
| Aug 03 | Principal Office Fund | Investa Property Trust | 1,504 | 2.4% | 6.8% | 6.8% |
| Jul 03 | AMP Industrial Trust | Macquarie Goodman Industrial Trust | 450 | 22.8% | 7.8% | 7.9% |
| May 03 | AMP Diversified Property Trust | Stockland | 1,648 | 26.1% | 6.5% | 6.6% |
| May 03 | AMP Shopping Centre Trust | Westfield Trust | 1,460 | 28.6% | 6.2% | 6.3% |
| Jul 02 | Colonial First State Property Group | Commonwealth Property Office Fund/Gandel Retail Trust | 1,658 | 28.4% | 6.8% | 7.1% |
| Aug 00 | Macquarie Industrial Trust | Goodman Hardie Industrial Property Trust | 291 | 9.9% | 9.3% | 9.5% |
| Jul 00 | BT Property Trust | BT Office Trust | 501 | (0.2)% | 8.0% | 8.2% |
| Jul 00 | Paladin Commercial Trust | Commercial Investment Trust | 508 | 6.3% | 7.9% | 8.0% |
| May 00 | Flinders Industrial Trust | Stockland | 289 | 12.1% | 8.9% | 9.0% |

Source: Grant Samuel analysis

In the period prior to 2008, acquisition transactions (particularly after 2002) occurred at significant premiums to NTA. In particular, the larger transactions with values in excess of $1 billion occurred at premiums of between 2.4% and 61.3%, but generally well above 10%. However, it should be noted that:

- several of the transactions implying high premiums involved entities with significant operating businesses in which case the premium to NTA is not meaningful. This particularly applies to the acquisition of Multiplex Group (which had a development and construction business, a passive property investment portfolio and a property funds management business) by Brookfield Asset Management Inc, Investa Property Group (which had both a substantial residential land development business and manages wholesale property investment funds) by Morgan Stanley Real Estate and Mirvac's acquisition of James Fielding. In these cases, the implied premiums to NTA provide no meaningful insight into the value attributed to the property portfolio itself; and
- part of the premium may also be due to the lag that previously existed in the valuation of properties. For example, the acquisition of AMP Shopping Centre Trust was at a premium to NTA of 28.6% based on last valuations. However, the portfolio was revalued shortly after the acquisition which resulted in an increase in NTA by 23 cents per unit. The premium would have been 12.4% if based on this revised NTA. The introduction of International Financial Reporting Standards in FY06 removed this valuation lag and was expected to result in lower premiums to NTA for standalone passive property portfolios than had been apparent in the past.

Nevertheless, clearly some premium was paid by acquirers which would appear to be attributable to diversification and scale benefits of acquiring a large portfolio in a single line as well as the relative scarcity of such opportunities in an increasingly concentrated environment.

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## 2 Valuation Evidence from Sharemarket Prices

The sharemarket ratings of selected ASX listed REITs are set out below by sector:

**Sharemarket Ratings of Selected Australian Listed REITs[12]**

| Entity | Management Basis[13] | Market Capitalisation ($ millions) | Premium/ (Discount) to NTA[14] | Distribution Yield[15] FY13 | FY14 | FY15 | FY16 | Distribution Growth 3 Year CAGR[16] | Book Gearing[17] |
|---|---|---|---|---|---|---|---|---|---|
| ***Office REITs*** | | | | | | | | | |
| CPA[18] | E | 2,558 | (5.4%) | 6.0% | 6.1% | 6.2% | 6.4% | 2.2% | 24.1% |
| Investa Office Fund | E | 1,953 | 3.3% | 5.6% | 5.8% | 6.0% | 6.2% | 3.4% | 22.1% |
| Cromwell Property Group | I | 1,713 | 41.8% | 7.3% | 7.5% | 7.8% | 7.7% | 2.0% | 43.1% |
| GDI Property Group | I | 494 | (4.5)% | na | 7.5% | 8.6% | na | na | 24.0% |
| Brookfield Prime Property | E | 198 | (31.4)% | 2.0% | na | na | na | na | 62.4% |
| ***Retail REITs*** | | | | | | | | | |
| Westfield Group | I | 21,529 | 54.5% | 4.9% | 5.1% | 5.2% | na | 3.1% | 43.0% |
| Westfield Retail Trust | E | 8,938 | (11.3%) | 6.6% | 6.8% | 7.0% | na | 4.0% | 24.6% |
| CFS Retail Property Trust[18] | E | 5,502 | (4.6%) | 7.1% | 7.1% | 7.2% | 7.4% | 1.3% | 27.7% |
| Federation Centres | I | 3,398 | 5.5% | 5.9% | 6.3% | 6.5% | 6.8% | 4.7% | 29.4% |
| Charter Hall Retail REIT | E | 1,339 | 10.8% | 7.3% | 7.5% | 7.6% | 7.9% | 2.8% | 29.4% |
| Shopping Centres Australasia | I | 1,018 | 0.7% | 6.4% | 6.9% | 7.0% | 7.0% | 2.8% | 31.9% |
| Carindale Property Trust | E | 383 | (15.2)% | 5.2% | 5.7% | 6.0% | 6.4% | 6.6% | 29.3% |
| ***Industrial REITs*** | | | | | | | | | |
| Goodman Group | I | 8,198 | 77.7% | 4.1% | 4.3% | 4.6% | 4.9% | 6.6% | 26.3% |
| ***Diversified REITs*** | | | | | | | | | |
| Stockland Group | I | 8,762 | 6.5% | 6.3% | 6.3% | 6.3% | 6.4% | 0.5% | 15.7% |
| GPT (standalone)[19] | I | 6,474 | (1.0%) | 5.5% | 5.8% | 6.0% | na | 4.6% | 23.8% |
| Mirvac Group | I | 6,414 | 8.4% | 5.0% | 5.1% | 5.3% | 5.7% | 4.4% | 27.5% |
| DEXUS (standalone)[20] | I | 4,732 | (2.9%) | 5.9% | 6.0% | 6.2% | 6.6% | 3.7% | 29.2% |
| Growthpoint Properties | I | 1,165 | 19.0% | 7.5% | 7.8% | 7.8% | 7.8% | 1.6% | 43.2% |
| Challenger Diversified | E | 544 | (7.3%) | 7.0% | 7.3% | 7.5% | 7.6% | 2.9% | 28.3% |
| ***CPA Bidders*** | | | | | | | | | |
| GPT (Combined Group) | I | 7,504 | (0.3%)[21] | na | 6.0%[21] | na | na | na | 32.9% |
| DEXUS (Combined Group) | I | 5,696 | -%[22] | na | 6.2%[22] | na | na | na | 33.1% |

Source: Grant Samuel analysis[23]

All of the listed entities have a 30 June year end except for The GPT Group ("GPT"), Westfield Group and Westfield Retail Trust which have 31 December year ends (i.e. for these entities FY14 equates to year

12 During 2013 there were initial public offerings for a number of REITs. Other than GDI Property Group, these REITs have not been included in this analysis due to their size and/or the sector focus.

13 E = externally managed; I = internally managed.

14 NTA is based on the last reported balance sheet. NTA excludes deferred tax liabilities and is after providing for the latest distribution to the extent that it was not provided for in the reported balance sheet. Adjustments have also been made for acquisitions, disposals, capital raisings and share buybacks as appropriate.

15 Distribution yield has been calculated as distribution per unit divided by security price.

16 CAGR = compound annual growth rate.

17 Book gearing is net debt (borrowings less cash) divided by total tangible assets less cash.

18 Based on security prices on 23 July 2013 (the last trading day before the announcement of the internalisation proposals from CBA) and broker consensus distribution forecasts (see Appendix 1).

19 Based on GPT's security price as at 18 November 2013 (the last trading day before the GPT Offer) and broker consensus distribution forecasts pre announcement of the GPT Offer (see Appendix 1).

20 Based on DEXUS's security price on 24 July 2013 (the day prior to the announcement of DEXUS's 14.91% relevant interest in CPA) and broker consensus distribution forecasts around that date (see Appendix 1).

21 Valuation metrics for GPT (Combined Group) are based on pro forma NTA per security assuming 100% acquisition of CPA on 30 June 2013 (and after providing for a 5.0 cent distribution for the three months ended 30 June 2013) and pro forma distribution for 2014 assuming 100% acquisition of CPA on 31 December 2013. On a 50.1% basis the discount to NTA is 1.6%.

22 Valuation metrics for DEXUS (Combined Group) are based on pro forma NTA per security and pro forma distribution for FY14 assuming 100% acquisition of CPA on 1 July 2013. On a 50.1% basis the discount to NTA is 1.0%.

23 Grant Samuel analysis based on data obtained from IRESS, Capital IQ, REIT announcements and, in the absence of published distribution forecasts, brokers' reports. Where distribution forecasts are not available, the median of the forecasts prepared by a range of brokers has generally been used to derive relevant derive distribution forecasts. The source, date and number of broker reports utilised for each REIT depends on analyst coverage, availability and recent corporate activity.

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ending 31 December 2014). The last reported balance sheet for all entities is 30 June 2013.

The multiples shown are based on sharemarket prices as at 10 January 2014 except for:

- Commonwealth Property Office Fund ("CPA") and CFS Retail Property Trust Group ("CFS Retail Property") which are shown as at 23 July 2013, the day prior to the announcement of the internalisation proposal from Commonwealth Bank of Australia ("CBA");
- GPT (standalone) which is shown on 18 November 2013, the last trading day before the announcement of GPT Offer;
- DEXUS Property Group ("DEXUS") (standalone) which is shown on 24 July 2013, the day prior the announcement of DEXUS's 14.91% interest in CPA; and
- Westfield Group and Westfield Retail Trust which are shown at 3 December 2013, the last trading day before the announcement of the proposed restructure.

A brief description of each REIT is set out below:

***Commonwealth Property Office Fund***

CPA is an externally managed office sector specific REIT. It owns a portfolio of 25 office properties located in central business districts and major suburban markets in Australia with a book value at 31 October 2013 of $3.8 billion (including $3.5 billion of office properties and $0.3 billion of retail properties). Over the last five years, CPA has increased its weighting of prime (premium and A) grade assets and increased its geographic diversification. The portfolio is weighted towards the Sydney and Melbourne markets. On 24 July 2013, CPA announced that it had received a conditional, indicative and incomplete proposal to internalise its management. This announcement has resulted in a competitive bidding process between GPT and DEXUS to acquire CPA. The valuation metrics for CPA are based on the CPA unit price as at 23 July 2013 (the last trading day before the announcement of the internalisation proposal from CBA).

***Investa Office Fund***

Investa Office Fund ("Investa") is an externally managed stapled entity which invests in office properties (with a focus on A-grade and premium Australian properties). At 30 June 2013 the property portfolio comprised 23 office properties (gross asset value of $2.8 billion) with assets located in Australia (88% of asset value) and Europe (12%). Investa intends to divest all remaining European properties as part of repositioning the portfolio to be solely focused on Australia. The $2.5 billion Australian portfolio contains 21 properties and is primarily comprised of A-grade buildings (70%) with the remainder classed as B-grade (22%) and premium (8%) buildings. The portfolio is geographically diverse with properties located across Sydney, Brisbane, Melbourne, Perth and Canberra. The occupancy rate is 96% and the weighted average lease expiry is 4.8 years. On 4 November 2013 Investa announced that it had exchanged conditional contracts to divest its interest in the Dutch Office Fund and that following that sale it would have only one remaining European investment. Investa has indicated that, assuming no re-investment of the sale proceeds, NTA will decline by 6 cents per stapled security.

***Cromwell Property Group***

Cromwell Property Group ("Cromwell") is an internally managed stapled entity which owns a $2.4 billion property portfolio and operates a property funds and asset management business. At 30 June 2013 the portfolio contained 33 properties with office properties accounting for around 92.5% of gross income. The portfolio is geographically diverse with properties located across Australia. At 30 June 2013 the portfolio had an occupancy rate of 96% and a weighted average lease expiry of 6.1 years. Cromwell also manages $750 million of assets owned by unlisted managed funds that it has previously established. The funds management activity contributed approximately 5% of earnings in FY13 but significant growth in earnings is anticipated in FY14 following the successful delivery of two new unlisted fund raisings during FY13. Cromwell is trading at a substantial premium to NTA following a substantial increase in its security price over the last 12-18 months on the back of growth in its property portfolio and its funds management activities and inclusion in key market indices (e.g. ASX/S&P 200 Index in September 2013). Cromwell's payout ratio and book gearing are high relative to its peers.

***GDI Property Group***

GDI Property Group ("GDI") was publicly listed in December 2013. It is an internally managed stapled entity which owns $683 million investment properties in Australia and has $184.5 million third party assets

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under management. The investment portfolio is comprised of four office properties which are 57% A-grade and 43% B-grade and is diversified by geography, tenant and lease terms. At listing, the portfolio had a book value of $683 million, 82.4% occupancy and a weighted average lease expiry of 3.4 years.

***Brookfield Prime Property Fund***

Brookfield Prime Property Fund ("BPP") is an externally managed unit trust which invests in prime commercial office properties. At 30 June 2013 BPP's property portfolio had a book value of $880.1 million and comprised interests in five A-grade properties (two in Sydney, two in Melbourne and one in Perth). The occupancy rate is 98.5% and the weighted average lease expiry is 5.2 years. BBP is 79.8% owned by Brookfield and its responsible entity is a subsidiary of Brookfield. The security price for BPP is not a good indication of fair value as it has a restricted free float and the market in its securities is not liquid (it regularly does not trade on a daily basis). BPP is also highly geared and has a low payout ratio relative to its peers.

***Westfield Group***

Westfield Group is an internally managed stapled entity with assets under management of $67.9 billion at 30 June 2013 comprising a $33.8 retail investment portfolio and $34.1 billion joint venture interests for which Westfield Group provides funds management, property management and development management. Westfield Group's investment portfolio includes approximately 100 shopping centres across Australia (39% by value), the United States (42%), the United Kingdom (15%), and New Zealand (4%) which have a gross lettable area of 9.6 million square metres and 97.8% occupancy. Westfield Group's focus is on regional and super regional centres. On 4 December 2013, Westfield Group and Westfield Retail Trust announced a restructure involving the merger of the Australian and New Zealand business of Westfield Group with Westfield Retail Trust to form a new internally managed entity to be known as Scentre Group. Westfield Group is trading at a substantial premium to NTA (>54%) reflecting the scale of its third party funds management, property management and development management activities and its international operations.

***Westfield Retail Trust***

Westfield Retail Trust is an externally managed REIT with passive investments in 47 retail centres in Australia and New Zealand. As at 30 June 2013, the portfolio had a book value of $13.5 billion (91% in Australia and 9% in New Zealand), gross lettable area of 3.7 million square metres, over 99.5% occupancy and a weighted average lease expiry of 6.9 years. Westfield Retail Trust's focus is on regional and super regional centres. On 4 December 2013, Westfield Group and Westfield Retail Trust announced a restructure involving the merger of the Australian and New Zealand business of Westfield Group with Westfield Retail Trust to form a new internally managed entity to be known as Scentre Group.

***CFS Retail Property Trust Group***

CFS Retail Property is an externally managed stapled entity with a passive investment portfolio comprising 1.4 million square metres of retail centres which are located throughout Australia. Retail centres are primarily regional (56%) and super regional (21%) and are mainly located in Victoria (53%), Queensland (18%) and New South Wales (16%). As at 30 June 2013, the portfolio had a book value of $8.3 billion and 99.4% occupancy. On 18 December 2013, CFS Retail Property announced the internalisation of its management including the acquisition of the CBA's integrated retail asset management business. This transaction is subject to securityholder approval expected to be sought in March 2014. If the proposed transaction proceeds CFS Retail Property will have $13.9 billion in retail assets under management. The valuation metrics for CFS Retail Property are based on the security price as at 23 July 2013 (the last trading day before the announcement of the initial internalisation proposal from CBA).

***Federation Centres***

Federation Centres is an internally managed REIT with $6.5 billion assets under management, including a $4.1 billion Australian retail investment portfolio and $1.2 billion of third party retail assets. The investment portfolio comprises sub regional (63%), regional (28%) and convenience (9%) centres and is geographically diversified. At 30 June 2013, the 47 centre investment portfolio had gross lettable area of 1.1 million square metres, 99.5% occupancy and a weighted average lease expiry of 6.3 years.

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*Charter Hall Retail REIT*

Charter Hall Retail REIT is an externally managed REIT with passive investments in retail centres located mainly on the east coast of Australia. As at 30 June 2013 its core Australian portfolio included 74 properties with a book value of $1.7 billion. It also had $117 million of overseas properties classified as discontinued operations. The Australian portfolio comprised neighbourhood (53%), sub regional (36%) and freestanding (11%) centres and had a gross lettable area of 472,000 square metres, 98.2% occupancy and an anchor weighted average lease expiry of 10.7 years. Charter Hall Retail REIT is trading at a premium to NTA possibly as a result of the non-discretionary spending nature of its shopping centre portfolio and the divestment program for its European assets.

*Shopping Centres Australasia Property Group*

Shopping Centres Australasia Property Group ("Shopping Centres Australasia") is an internally managed REIT with a portfolio of 72 shopping centres in Australia and New Zealand. At 30 June 2013, Australian centres represented around 87% of portfolio value and New Zealand centres represented the remaining 13%. The portfolio is geographically diversified across major states in Australia. The $1.4 billion book value as at 30 June 2013 comprised neighbourhood (59%), sub regional (25%) and freestanding (16%) centres. The portfolio has gross lettable area of 417,894 square metres, 96.6% occupancy and a weighted average lease expiry (by gross lettable area) of 15 years. Subsequent to 30 June 2013, Shopping Centres Australasia entered into an agreement to acquire a $145.7 million retail portfolio in Tasmania.

*Carindale Property Trust*

Carindale Property Trust is an externally managed REIT. Its sole investment is a 50% interest in Westfield Carindale, Brisbane which has 136,000 square metres of lettable area. As at 30 June 2013, Carindale Property Trust was valued at $678.2 million. A $310 million redevelopment of Westfield Carindale was completed in August 2012.

*Goodman Group*

Goodman Group is an internally managed stapled entity. As at 30 September 2013, Goodman Group had $24.2 billion industrial assets under management including a $4.1 billion investment portfolio and $20.1 billion third party assets under management. Its investment portfolio comprises 38 properties which are predominantly in Australia (56%) and the United Kingdom and Europe (29%). As at 30 September 2013, the portfolio had 96% occupancy and a weighted average lease expiry of 4.8 years. Goodman Group has substantial development activities which included $2.5 billion work in progress at 30 September 2013. Goodman Group is trading at a substantial premium to NTA (>70%) reflecting its relatively small property investment portfolio and the scale of its third party management activities, development activities and international operations.

*Stockland Group*

Stockland is an internally managed stapled entity. It is a diversified property group which develops, owns and manages retail shopping centres, office buildings, industrial sites, residential communities and retirement living villages. At 30 June 2013 its portfolio was valued at $7.7 billion and comprised 41 retail centres ($5.3 billion), 16 office properties ($1.6 billion) and 13 industrial properties ($0.8 billion). Stockland is the largest residential developer and one of the top three retirement living operators in Australia. At 30 June 2013 the residential and retirement living activities accounted for around 40% of Stockland's real estate related assets (including substantial development landbanks) but only 16% of EBIT.

*Mirvac Group*

Mirvac is an internally managed stapled entity engaged in property investment, property development and funds management. It aims to achieve 80% of operating profit after tax from property investment and 20% from property development through the cycle. As at 30 June 2013, its property portfolio comprised 68 property assets valued at $6.8 billion. The weighting to the office sector was 60% of property value with the remainder primarily invested in retail (25%) and other properties (i.e. industrial, indirect investments, carparks and a hotel) (15%). Approximately 89% the office portfolio is classified premium or A-grade and concentrated in the Sydney and Melbourne central business districts ("CBD"). The office portfolio includes 32 assets with an occupancy rate of 97% and a weighted average lease expiry of 5.2 years. Mirvac has a $1.5 billion development pipeline (88% residential development).

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*The GPT Group*

GPT is an internally managed stapled entity. It is a diversified property group engaged in property investment, selective property development and property funds management (two unlisted wholesale funds which had $7.1 billion of assets under management at 30 June 2013). GPT's property portfolio was valued at $8.3 billion at 30 June 2013 and comprised retail (54%), office (34%) and industrial (12%) properties. The $2.8 billion office portfolio includes wholly owned properties and an investment in the unlisted GPT Wholesale Office Fund with just over 60% classed premium grade and the balance A-grade. Office properties are located in the Sydney, Melbourne and Brisbane CBD markets. GPT has a development pipeline of $1.2 billion of projects underway and planned with an additional $1.8 billion of opportunities. On 19 November 2013, GPT announced a conditional takeover offer for CPA ("GPT Offer"). The metrics for GPT (standalone) are based on GPT's security price on 18 November 2013 (the last trading day before the announcement of the GPT Offer). The metrics for GPT (Combined Group) are based on the pro forma financial information for GPT assuming 100% acquisition of CPA as set out in the GPT Bidder's Statement.

*DEXUS Property Group*

DEXUS is an internally managed stapled entity which invests directly in and manages office and industrial properties within Australia in addition to developing and managing Australian properties on behalf of third parties. As at 30 September 2013, its portfolio was valued at $7.3 billion and comprised 78% office and 22% industrial properties. Approximately 87% of DEXUS's $5.7 billion office portfolio is classed as premium or A-grade. Its office sector exposure is spread across all major capital cities (plus an office building in Auckland) and has a total occupancy rate of 95% and a weighted average lease expiry of 4.7 years. Third party funds under management were $6.1 billion at 30 June 2013 with assets across the retail (51%), office (34%) and industrial (15%) sectors. On 11 October 2013, DEXUS announced that, in conjunction with Canada Pension Plan Investment Board ("the Consortium"), it had made an indicative proposal to acquire all of the issued units in CPA. This offer was rejected and on 8 November 2013 the Consortium increased the consideration under the proposal. On 11 December 2013, in response to the GPT Offer, the Consortium announced a conditional takeover offer for CPA ("DEXUS Offer"). The metrics for DEXUS (standalone) are based on the DEXUS security price as at 24 July 2013 (the day before announcement of DEXUS's 14.91% relevant interest in CPA). The metrics for DEXUS (Combined Group) are based on the pro forma financial information for DEXUS assuming 100% acquisition of CPA as set out in the Consortium Bidder's Statement.

*Growthpoint Properties Australia*

Growthpoint Properties Australia ("Growthpoint") is an internally managed stapled entity that invests in office and industrial properties in Australia. It is 65.8% owned by Growthpoint Properties Limited, the 34th largest entity on the Johannesburg Stock Exchange in South Africa. In July 2013 it announced the acquisition of three industrial properties for $60.2 million. Including these properties, its portfolio comprises 47 properties with a book value of $1.8 billion and comprises industrial (55%) and office (45%) properties primarily located in Queensland (36%) and Victoria (32%). The portfolio has gross lettable area of 1.0 million square metres, 98% occupancy and a weighted average lease expiry of 6.8 years. In October 2013, Growthpoint announced a $150 million equity raising to fund the July 2013 acquisitions and a further $32.2 million acquisition. Growthpoint is trading at a substantial premium following recent growth in its portfolio. It has a high payout ratio and book gearing relative to its peers.

*Challenger Diversified Property Group*

Challenger Diversified Property Group ("Challenger Diversified") is an externally managed stapled entity primarily engaged in property investment. At 30 June 2013 its portfolio comprised 27 properties with assets located in Australia (93.5% of asset value) and France (6.5%). The portfolio was valued at $858.9 million at 30 June 2013 and comprised office (59% of asset value), retail (19%), industrial (18%) and hi-tech office (4%) properties. The Australian property portfolio is concentrated in New South Wales, the Australian Capital Territory and Victoria (85.6%). At 30 June 2013, the Australian office portfolio had a total occupancy of 94% and a weighted average lease expiry of 4.1 years. Challenger Diversified also has a leasehold interest in Sydney's Domain Car Park which expires in 2033 and a development portfolio comprising a single industrial land bank with a value of $6.8 million.

CPA

Commonwealth Property Office Fund

Appendix

# 3

# CPA ASX announcements since 20 August 2013

| No | Announcement | Date released to ASX |
|---|---|---|
| 1. | Update on Convertible Notes and payment of performance fee | 17 January 2014 |
| 2. | DEXUS and CPPIB Change in Substantial Holding from DXS | 17 January 2014 |
| 3. | Takeover Bid by GPT of Commonwealth Pty Office Fund | 16 January 2014 |
| 4. | Performance fee update | 16 January 2014 |
| 5. | DEXUS and CPPIB Change in Substantial Holding from DXS | 16 January 2014 |
| 6. | DEXUS and CPPIB Change in Substantial Holding from DXS | 15 January 2014 |
| 7. | Becoming a substantial holder from NAB | 14 January 2014 |
| 8. | GPT: Clarification of acceptances under CPA Offer | 14 January 2014 |
| 9. | DEXUS and CPPIB Change in Substantial Holding from DXS | 14 January 2014 |
| 10. | GPT: Update on offer for CPA | 14 January 2014 |
| 11. | DEXUS and CPPIB Change of Substantial Holding from DXS | 13 January 2014 |
| 12. | Second Supplementary Bidder's Statement for DEXUS Offer | 10 January 2014 |
| 13. | DEXUS and CPPIB Change of Substantial Holding from DXS | 10 January 2014 |
| 14. | DXS: Notice of despatch of Bidder's Statement for DEXUS Offer | 7 January 2014 |
| 15. | DXS: Further Developments Relating to DEXUS Offer for CPA | 7 January 2014 |
| 16. | DXS: Update on DEXUS Offer for CPA | 6 January 2014 |
| 17. | Notice of Change of Interests of Substantial Holder from GPT | 6 January 2014 |
| 18. | Target's Statement | 24 December 2013 |
| 19. | DXS: DEXUS Offer for CPA – update on proposed bid conditions | 24 December 2013 |
| 20. | DXS: Register date for DEXUS Offer bid for CPA | 20 December 2013 |
| 21. | Change of interests of substantial holder from DXS | 20 December 2013 |
| 22. | DEXUS Offer update and Bidder's Statement | 19 December 2013 |
| 23. | GPT: Bidder's Statement Notice of Dispatch | 19 December 2013 |
| 24. | Clarification to DEXUS Announcement of 13 December 2013 | 19 December 2013 |
| 25. | GPT: T/O Bid regarding Commonwealth Property Office Fund | 18 December 2013 |
| 26. | CBA: CBA support for DEXUS and CPPIB offer for CPA | 18 December 2013 |
| 27. | Ceasing to be a substantial holder from NAB | 18 December 2013 |
| 28. | Change in substantial holding from CBA | 16 December 2013 |
| 29. | Change of interests of substantial holder from DXS | 16 December 2013 |
| 30. | CBA: Facilitation Agreement | 13 December 2013 |
| 31. | CBA: Facilitation Agreement with DEXUS | 13 December 2013 |
| 32. | DXS: Facilitation agreement with CBA | 13 December 2013 |
| 33. | Change in substantial holding | 13 December 2013 |
| 34. | Change in substantial holding from CBA | 12 December 2013 |
| 35. | CBA: CBA NOTES DEXUS AND CPPIB TAKEOVER OFFER FOR CPA | 11 December 2013 |
| 36. | December 2013 valuations and leasing update | 11 December 2013 |

| No | Announcement | Date released to ASX |
|---|---|---|
| 37. | Change in substantial holding from DXS | 11 December 2013 |
| 38. | Response to DXS and CPPIB off-market takeover offer | 11 December 2013 |
| 39. | DXS: DEXUS Offer to acquire CPA presentation | 11 December 2013 |
| 40. | DXS: DEXUS Offer to acquire CPA ASX release | 11 December 2013 |
| 41. | FY14 distribution upgrade and 1H14 estimated distribution | 5 December 2013 |
| 42. | Notice of Change of Interests of Substantial Holder from GPT | 4 December 2013 |
| 43. | Change in substantial holding from DBA | 4 December 2013 |
| 44. | Bidder's Statement – Off Market bid from GPT | 3 December 2013 |
| 45. | Amended Change in substantial holding from DXS | 3 December 2013 |
| 46. | Notice of change of interests of substantial holder from GPT | 2 December 2013 |
| 47. | Becoming a substantial holder from NAB | 29 November 2013 |
| 48. | GPT: CMIL Terminates Process Agreement with DEXUS and CPPIB | 25 November 2013 |
| 49. | DXS: Due diligence investigations on CPA continue | 25 November 2013 |
| 50. | Process Agreement terminated | 25 November 2013 |
| 51. | DXS: Update on Consortium Proposal to acquire CPA | 21 November 2013 |
| 52. | Change in substantial holding from CBA | 19 November 2013 |
| 53. | DXS: Response to GPT Group's offer for CPA | 19 November 2013 |
| 54. | Notice of Initial Substantial Holder from GPT | 19 November 2013 |
| 55. | Response to GPT off-market takeover offer | 19 November 2013 |
| 56. | GPT: GPT announces Proposal to acquire Clth Pty Office Fund | 19 November 2013 |
| 57. | GPT: GPT makes cash and scrip offer for CPA | 19 November 2013 |
| 58. | October 2013 valuations confirmed | 18 November 2013 |
| 59. | Change in substantial holding | 18 November 2013 |
| 60. | Change in substantial holding from DXS | 15 November 2013 |
| 61. | Change in substantial holding in CPA by DB Group | 13 November 2013 |
| 62. | Change in substantial holding from DXS | 12 November 2013 |
| 63. | Change in substantial holding from CBA | 12 November 2013 |
| 64. | CBA: Confirms Proposal with DEXUS | 11 November 2013 |
| 65. | DSX and CPPIB granted due diligence | 11 November 2013 |
| 66. | DXS: Recommended proposal to acquire CPA | 11 November 2013 |
| 67. | Trading Halt | 8 November 2013 |
| 68. | October 2013 draft valuations | 5 November 2013 |
| 69. | September 2013 quarterly update presentation | 23 October 2013 |
| 70. | September 2013 quarterly update | 23 October 2013 |
| 71. | Change in substantial holding | 18 October 2013 |
| 72. | Technical filing – CPA investment from DXS | 18 October 2013 |

| No | Announcement | Date released to ASX |
|---|---|---|
| 73. | Ceasing to be a substantial holder – NAB | 17 October 2013 |
| 74. | Change in substantial holding from DBA | 16 October 2013 |
| 75. | Becoming a substantial holder from NAB | 15 October 2013 |
| 76. | Response to DXS and CPPIB non-binding, indicative proposal | 14 October 2013 |
| 77. | CBA: INDICATIVE, NON-BINDING PROPOSALS – CPA | 11 October 2013 |
| 78. | DXS proposal to acquire – take no action | 11 October 2013 |
| 79. | Becoming a substantial holder | 11 October 2013 |
| 80. | DXS: Proposal to acquire CBA presentation | 11 October 2013 |
| 81. | DXS: Proposal to acquire CPA | 11 October 2013 |
| 82. | Ceasing to be a substantial holder from NAB | 30 September 2013 |
| 83. | Becoming a substantial holder from NAB | 26 September 2013 |
| 84. | Technical filing – CPA investment from DXS | 11 September 2013 |
| 85. | Change in substantial holding in CPA by DB Group | 9 September 2013 |
| 86. | CPA takes top honours in GRESB survey | 6 September 2013 |
| 87. | Substantial Shareholder – Restatement from CBA | 6 September 2013 |
| 88. | Technical filing – CPA investment | 30 August 2013 |
| 89. | Convertible notes Conversion Price adjustment | 29 August 2013 |
| 90. | Distribution letter to unitholders | 28 August 2013 |
| 91. | Change in substantial holding from DBA | 28 August 2013 |
| 92. | Notice for the purpose of subdivision 12-H | 22 August 2013 |
| 93. | DXS: Technical Filing – Commonwealth Property Office Fund | 20 August 2013 |
| 94. | 2013 Annual Report | 20 August 2013 |
| 95. | 2013 Annual Results Presentation | 20 August 2013 |
| 96. | 2013 Annual Results Announcement | 20 August 2013 |
| 97. | Appendix 4E | 20 August 2013 |

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# Corporate directory

**ASX trading code: CPA**

**Commonwealth Property Office Fund**
ARSN 086 029 736

## Responsible Entity
Commonwealth Managed Investments Limited
ABN 33 084 098 180
AFSL 235384

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## Directors of the Responsible Entity of CPA
Mr Richard Haddock AM (Chairman)
Mr James Kropp
Ms Nancy Milne OAM
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Mr Michael Venter

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CPA