VALAD

Valad Funds Management Limited
(ABN 89 102 249 294) ("VFML")
Valad Commercial Management Limited
(ABN 76 101 802 046)
as responsible entity of Valad Property Trust
(ARSN 102 618 824) ("VPT")

Valad Property Group

Scheme Booklet

In relation to a recommended proposal from two affiliates of Blackstone Real Estate Advisors L.P., the Bidders, to acquire all Valad Securities via a Company Scheme and Trust Scheme.

The Valad Directors
unanimously recommend
that you VOTE IN FAVOUR
of the Scheme in the
absence of a Superior
Proposal. Each Valad
Director intends to vote
in favour of the Scheme
in relation to all Valad
Securities held or
controlled by them.

This is an important document and requires your immediate attention. You should read it in its entirety before you decide whether or not to vote in favour of the Scheme. If you are in doubt as to what you should do, or how the Scheme may impact on your affairs if approved, you should consult your legal, financial or other professional adviser. You may call the Securityholder Information Line on 1800 857 305 inside Australia or +61 2 8256 3371 from outside Australia if you have any questions.

Financial Advisers



Legal Advisers

Mallesons Stephen Jaques

→ IMPORTANT NOTICES

This Scheme Booklet contains important information

This Scheme Booklet provides Securityholders with information about the Proposal for the Bidders to acquire all Valad Securities by way of a Company Scheme and Trust Scheme.

You should read this Scheme Booklet in its entirety before making a decision as to how to vote on the resolutions proposed in the Notices of Scheme Meetings which are included in this Scheme Booklet.

Regulatory information

This document is the explanatory statement for the scheme of arrangement between VFML and the holders of its shares as at the Scheme Record Date for the purposes of section 412(1) of the Corporations Act in relation to the Company Scheme. A copy of the proposed Company Scheme is included in this Scheme Booklet in Section 9. A copy of the Supplemental Deed to implement the Trust Scheme is also included in this Scheme Booklet, in Section 10.

A copy of this Scheme Booklet was provided to ASIC for examination in accordance with section 411(2)(b) of the Corporations Act and was registered by ASIC under section 412(6) before being sent to Valad Securityholders.

ASIC has been requested to provide a statement, in accordance with section 411[17][b] of the Corporations Act that ASIC has no objection to the Company Scheme. If ASIC provides that statement, it will be produced to the Court at the time of the Second Court hearing to approve the Company Scheme.

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

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

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting be convened and has approved the explanatory material in this Scheme Booklet does not mean that the Court:

- has formed any view as to the merits of the Scheme or as to how Securityholders should vote (on this matter Securityholders must reach their own decision); or
- → has prepared, or is responsible for the content of this Scheme Booklet

Responsibility for information

The information contained in this Scheme Booklet other than in section 4 (Information on Blackstone and the Biddersl. section 6 (Independent Expert's Report) and section 7 (Tax Report) has been prepared by Valad and is the sole responsibility of Valad. The historical information in this Scheme Booklet is derived from sources believed to be accurate at the date of this Scheme Booklet. However, no representation or warranty, express or implied, is made as to the accuracy or completeness of any information, opinion or conclusion contained in this Scheme Booklet. To the maximum extent permitted by law, neither Valad nor any of its directors, officers, employees, agents, advisers or intermediaries, nor any other person accepts any liability for any loss arising from the use of this Scheme Booklet or its contents or otherwise arising in connection with it, including without limitation any liability for fault or negligence on their part.

The historical information in this Scheme Booklet is, or is based upon, information that has been released to the market. It should be read in conjunction with Valad's other periodic and continuous disclosure announcements available at www.asx.com.au.

The information contained in Section 4 of this Scheme Booklet (Information on Blackstone and the Bidders) has been provided by the Bidders and is the sole responsibility of the Bidders. However, no representation or warranty, express or implied, is made as to the accuracy or completeness of any information, opinion or conclusion contained in this Scheme Booklet.

Neither the Bidders nor any of their directors, officers or advisers assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet, other than the information contained in section 4. To the maximum extent permitted by law, neither the Bidders nor any of their respective directors, officers, employees, agents, advisers or intermediaries, nor any other person, accepts any liability for any loss arising from the use of this Scheme Booklet or its contents or otherwise arising in connection with it, including without limitation any liability for fault or negligence on their part.

While the Bidders have provided the information in Section 4, no other Blackstone entity has provided information in this Scheme Booklet and no other Blackstone entity, nor any of their respective directors, officers or advisers assumes any responsibility for the accuracy or completeness of any of the information contained in this Scheme Booklet.

KPMG has prepared the Independent Expert's Report in relation to the Scheme contained in section 6 of this Scheme Booklet and takes responsibility for that report.

PricewaterhouseCoopers has prepared the Tax Report on the taxation implications of the Scheme contained in section 7 of this Scheme Booklet and takes responsibility for that report.

Neither Valad nor any of its directors, officers or advisers assume any responsibility for the accuracy or completeness of section 4 of the Scheme Booklet (Information on Blackstone and the Bidders), the Independent Expert's Report in section 6 or the Tax Report in section 7 of the Scheme Booklet.

Forward looking statements

Certain statements in this
Scheme Booklet relate to the
future. These statements involve
known and unknown risks,
uncertainties, assumptions
and other important factors that
could cause the actual results,
performance or achievements
to be materially different
from expected future results,
performance or achievements
expressed or implied by those
statements. These statements
reflect only views held as at the
date of this Scheme Booklet.

None of Valad, Blackstone, the Bidders and any of their respective directors or officers, or any other person, gives any representation, assurance or guarantee that the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

Investment advice

Other than the Independent Expert's Report, the information contained in this Scheme Booklet is not intended to constitute financial product advice. In the preparation of this Scheme Booklet, the financial situation or needs of individual Valad Securityholders have not been taken into account. It is important that you consider the information in this Scheme Booklet in light of your particular circumstances. You should seek advice from your financial, legal or other professional adviser regarding your particular circumstances and the Scheme or as to how the Scheme may impact on your affairs if approved.

Securityholders outside Australia

This Scheme Booklet is subject to Australian disclosure requirements. Financial information in this Scheme Booklet has been prepared in accordance with AIFRS and is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act.

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Australian disclosure requirements and AIFRS may be different from those applicable in other jurisdictions.

Tax implications of the Scheme

Section 7 of this Scheme Booklet provides a general outline of the Australian income tax, capital gains tax and GST consequences for Securityholders who dispose of their Securities to the Bidders in accordance with the Scheme.

It does not purport to be a complete analysis or identify all potential tax consequences, nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual Securityholders.

Securityholders who are subject to taxation outside Australia should also consult their tax adviser as to the applicable tax consequences of the Scheme in the relevant jurisdiction.

Privacy

Valad and the Bidders may collect personal information in the process of implementing the Scheme. This information may include the names, contact details and security holdings of Securityholders and the names of persons appointed to act as proxy, attorney or corporate representative at the Scheme Meetings.

The primary purpose of collecting this information is to assist Valad and the Bidders to conduct the Scheme Meetings and to implement the Scheme. Personal information of the type described above may be disclosed to the share registry of Valad, print and mail service providers, authorised securities brokers and Related Bodies Corporate of Valad and the Bidders.

Securityholders have certain rights to access personal information that has been collected. They should contact the Valad Registry in the first instance, if they wish to access their personal information.

Securityholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Notices of Scheme Meetings

Two meetings will be held in connection with the Scheme – the Company Scheme Meeting and the Trust Scheme Meeting. The Notices of Scheme Meetings are set out in Section 12 of this Scheme Booklet. The two meetings are to be held immediately after one another on the same day.

Defined terms

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

Each of the documents reproduced in some of the sections in Part C of this Scheme Booklet has its own defined terms, which are sometimes different from those in the Glossary.

Unless otherwise stated, all data contained in charts, graphs and tables are based on information available at the date of this document. All numbers are rounded unless otherwise indicated.

The financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. A reference to \$, A\$ and AUD and cents is to Australian currency, unless otherwise stated.

All times referred to in this Scheme Booklet are references to times in Sydney, unless otherwise stated.

All references to Sections are to sections of this Scheme Booklet, unless the context requires otherwise.

Valad and Blackstone websites

The contents of Valad's and Blackstone's websites do not form part of this Scheme Booklet and Securityholders should not rely on their content.

Date

This Scheme Booklet is dated 30 May 2011.

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This Scheme Booklet contains important information about the Scheme and it will help you make an informed decision about how to vote.

Securityholder Information Line

Valad Property Group has established a Securityholder Information Line which Securityholders should call if they have any questions in relation to the Scheme.

The telephone number for the Securityholder Information Line is 1800 857 305 (within Australia), + 61 2 8256 3371 (from outside Australia). The Securityholder Information Line is open between Monday and Friday from 9 am to 5 pm (AEST).

→ IMPORTANT DATES

| Date | Event |
|---|---|
| Friday 3 June 2011 | Scheme Booklet and Notices of Scheme Meetings despatched to Securityholders |
| 12 noon Saturday 2 July 2011 | Latest time and date for receipt of proxy forms for the Company Scheme Meeting and the Trust Scheme Meeting |
| 12 noon Saturday 2 July 2011 | Time and date for determining eligibility to vote at the Scheme Meetings |
| 10 am Monday 4 July 2011 | Company Scheme Meeting to be held at The Adelaide Room, Sofitel Wentworth Hotel, 61–101 Phillip Street, Sydney |
| Immediately following the Company Scheme Meeting, shortly after 10 am Monday 4 July 2011 | Trust Scheme Meeting to be held at The Adelaide Room, Sofitel Wentworth Hotel, 61–101 Phillip Street, Sydney |
| Following Valad Securityholder | approval of the Scheme |
| Friday 8 July 2011 | Second Court Date for approval of the Company Scheme |
| Monday 11 July 2011 | Court orders approving Company Scheme lodged with ASIC and Scheme takes effect (Effective Date) Last day of trading in Valad Securities – Close of Trading occurs |
| Monday 18 July 2011 | Record Date for determining entitlement to Scheme Consideration |
| Wednesday 20 July 2011 | Payment of the Scheme Consideration by the Bidders to the Valad Registrar on trust |
| Friday 22 July 2011 | Implementation Date and payment of Scheme Consideration to Scheme Participants |

Notes:

- All dates following the date of the Scheme Meetings are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable will be announced on ASX and notified on Valad's website www.valad.com.au.
- All references to time in this Scheme Booklet are references to Sydney time.

→ CHAIRMAN'S LETTER

30 May 2011

Dear Valad Securityholders

On 29 April 2011, Valad Property Group ("**Valad**") announced a proposal from affiliates of Blackstone Real Estate Advisors L.P. to acquire all of the issued shares in VFML by way of a company scheme of arrangement under Part 5.1 of the Corporations Act, and to acquire all of the issued units in VPT by way of a Trust Scheme, for \$1.80 per Valad Security (together, the "**Scheme**").

In recent months, the Valad Board has considered a range of proposals and strategic options to maximise Securityholder value and reduce gearing levels. These options include maintaining the status quo, a recapitalisation of Valad by raising new equity, a series of selected asset or business sales, and a transaction involving 100% of the issued capital of Valad ("**Strategic Options**"). After receipt and assessment of the Proposal from the Bidders (which represents the last of these Strategic Options), the Valad Board considers that the Proposal is the best alternative available to Valad Securityholders and provides the most certain value proposition for all Valad Securityholders.

The price of \$1.80 per Valad Security payable to Valad Securityholders under the Scheme represents a:

- → 56% premium on the closing price for Valad Securities on 27 April 2011 of A\$1.155, being the last trading day prior to the announcement of the proposed Scheme;
- → 52% premium to the volume weighted average price ("VWAP") of Valad Securities in the one month up to and including 27 April 2011 of A\$1.19.
- → 52% premium to the VWAP of Valad Securities in the three months up to and including 27 April 2011 of A\$1.18; and

However, it also represents a discount of 35% to the net asset backing and 22% to the net tangible asset backing of the Securities (as at 31 December 2010).

The Scheme is subject to a number of conditions, including Court approval and the approval of Valad Securityholders at meetings to be held on Monday 4 July 2011 at The Adelaide Room, Sofitel Wentworth Hotel, 61–101 Phillip Street, Sydney.

Your Board considers that the Scheme is in the best interests of Valad Securityholders. The Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal.

 $Each \ Director \ in tends \ to \ vote \ in \ favour \ of \ the \ Scheme \ in \ relation \ to \ all \ Valad \ Securities \ held \ or \ controlled \ by \ them.$

The key reasons for the Directors' recommendation of the Scheme are set out in Part A of this Scheme Booklet. As noted above, the amount to be received by Valad Securityholders if the Scheme is approved represents a substantial premium to the recent prices at which Valad Securities have traded prior to the Board announcing the Proposal from the Bidders.

The Independent Expert, KPMG, has expressed the opinion that the Scheme is not fair but is reasonable and, in the absence of a Superior Proposal, is in the best interests of Valad Securityholders. The full report of the Independent Expert is set out in section 6 of this Scheme Booklet.

I encourage you to read this Scheme Booklet (including the report of the Independent Expert) carefully in full and, if required, to seek your own investment or other professional advice.

Your Directors encourage you to vote in favour of the Scheme and urge you to attend the Scheme Meetings to be held on Monday 4 July 2011 at The Adelaide Room, Sofitel Wentworth Hotel, 61–101 Phillip Street, Sydney commencing at 10 am, or, if you are unable to attend, to complete and return the enclosed proxy form. Information on how to vote is detailed in this Scheme Booklet at page 8.

Yours sincerely

Trevor GerberChairman
Valad Property Group

PART AOVERVIEW OF SCHEME

→ SCHEME HIGHLIGHTS

| Highlight | Explanation |
|--|--|
| Scheme Consideration | If the Scheme is approved, Scheme Participants will receive A\$1.80 for each Security held at the Record Date |
| Valad Directors' recommendation and vote | The Valad Directors unanimously recommend that you vote in favour of the Scheme, and the Valad Directors intend to vote all Securities that they hold or control in favour of the Scheme, in each case, in the absence of a Superior Proposal |
| Independent Expert's conclusion | The Independent Expert has concluded that the Scheme is, in the absence of a Superior Proposal, not fair but reasonable, and is in the best interests of Securityholders |
| Substantial premium to historical Security Price | The cash price of A\$1.80 per Security represents a premium of: → 56% over the closing price on 27 April 2011 of A\$1.155, being the last trading day prior to the announcement of the proposed Scheme → 52% based on the one month volume weighted average price (VWAP) to 27 April 2011 → 52% based on the three month VWAP to 27 April 2011 However, it represents a discount of 35% to the net asset backing and 22% to the net tangible asset backing of the Securities (as at 31 December 2010). |
| No Superior Proposal | As at the date of this Scheme Booklet, no Superior Proposal has emerged |
| No Brokerage costs | No brokerage will be payable on the transfer of your Valad Securities pursuant to the Scheme |
| Security price may fall | Valad's Security price may fall if the Scheme is not implemented |

→ EXPLANATION OF THE RESOLUTIONS

On Monday 4 July 2011 commencing at 10 am, the Company Scheme Meeting and the Trust Scheme Meeting will be held consecutively, one immediately following the other.

At the **Company Scheme Meeting**, two resolutions will be proposed as follows:

- → Scheme of arrangement: a resolution to approve the scheme of arrangement between VFML and its shareholders which, if approved by the meeting and then by the Court, will result in the acquisition of 100% of VFML shares by Bidco. See Part B of this Scheme Booklet for information about the Scheme.
- → Unstapling: a resolution to approve the unstapling of VFML shares from VPT units. This is so that the VFML shares can be acquired by Bidco, and the VPT units can be acquired separately by Bidtrust.

At the **Trust Scheme Meeting**, three resolutions will be proposed as follows:

- → Constitution amendment: a resolution to approve amendment of the VPT constitution. The amendment will add a new Schedule 2 to the VPT constitution, which gives VCML, the responsible entity of VPT, powers to carry out the steps involved in implementing the Trust Scheme. It describes the mechanisms to deal with the payment for the VPT units, the transfer of VPT units to Bidtrust and the de-listing of VPT. VCML is appointed as attorney and agent of each Securityholder to carry out the required steps. Also, a clause in the VPT constitution that required the VPT units and VFML shares to continue to be stapled is deleted.
- Approval of acquisition of units (including for the purposes of the takeover rules): a resolution to approve the Trust Scheme and in particular the purchase of all the units in VPT by Bidtrust, for all purposes including for the purpose of the exception to the requirements to comply with takeover laws in item 7 of section 611 of the Corporations Act. That exception provides that the acquisition of a Relevant Interest in VPT units is not prohibited if the acquisition is approved by a resolution of the target, provided certain information is disclosed. This Scheme Booklet contains that information.

→ **Unstapling:** a resolution to approve the unstapling of VPT units from VFML shares. This is so that the VPT units can be acquired by Bidtrust, and the VFML shares can be acquired separately by Bidco.

All the resolutions are interconditional, in that one cannot pass without the others also passing. They have different voting thresholds, as described below.

Voting thresholds for the resolutions to be passed

For the resolution to approve the Company Scheme to pass:

- → a majority in number of Securityholders present and voting (either in person or by proxy, attorney or corporate representative) must vote in favour of the resolution; and
- at least 75% of the votes cast by Securityholders present and voting (either in person or by proxy, attorney or corporate representative) on the resolution must be cast in favour of the resolution.

For each resolution to approve the unstapling of VFML shares from VPT units to pass, at least 75% of the votes cast by Securityholders present and voting (either in person or by proxy, attorney or corporate representative) on the resolution must be cast in favour of the resolution.

For the resolution to approve the VPT constitutional amendments to pass (and to therefore facilitate the Trust Scheme), at least 75% of the votes cast by Securityholders present and voting (either in person or by proxy, attorney or corporate representative) on the resolution must be cast in favour of the resolution.

For the resolution to approve the acquisition of VPT units by Bidtrust (including for the purposes of the takeover rules), at least 50% of the votes cast by Securityholders present and voting (either in person or by proxy, attorney or corporate representative) on the resolution must be cast in favour of the resolution.

If your Securities are jointly held, only one of the joint holders is entitled to vote. If more than one Securityholder votes in respect of jointly held Securities, only the vote of the Securityholder whose name appears first in the Register will be counted. You need not exercise all of your votes in the same way, nor do you need to cast all of your votes.

→ REASONS TO VOTE IN FAVOUR OR AGAINST THE SCHEME

You should read this Scheme Booklet in full before deciding how to vote. In particular, section 1 of Part B of this Scheme Booklet contains a more detailed discussion on the matters which the Valad Directors consider are relevant to your vote on the Scheme. If you are in doubt as to how you should vote or as to how the Scheme may impact on your affairs if approved, you should seek the advice of your legal, financial, taxation or other professional advisers.

Reasons to vote in favour of the Scheme

- Your Valad Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal.
- The Independent Expert has concluded that while not fair, the Scheme is reasonable and in the best interests of Securityholders.
- The Scheme Consideration represents a substantial premium to recent historical trading prices, being a 56% premium on the closing price for Valad Securities on 27 April 2011 of A\$1.155 the last trading day prior to the announcement of the proposed Scheme.
- Your Valad Directors have considered a number of Strategic Options, including asset sales and equity raisings, and believe that the Proposal is the best alternative available to Valad Securityholders at this time.
- The Scheme provides certain value through all cash consideration and an opportunity to realise value now.
- ✓ If the Scheme does not proceed, Valad Securityholders will continue to be exposed to the risks associated with Valad's business and general market risks.
- No Superior Proposal has emerged as at the date of this Scheme Booklet.
- Valad's Security price may fall if the Scheme is not approved.
- ✓ No brokerage or stamp duty will be payable by you on the transfer of your Valad Securities.

Reasons not to vote in favour of the Scheme

- You may disagree with the Valad Directors' recommendation and place greater weight on the merits of other Strategic Options.
- The Scheme Consideration is at a discount of 22% to Valad's NTA per security and 35% to its NAV per security, as at 31 December 2010.
- The Independent Expert has concluded that while it is reasonable and in the best interests of Securityholders, the Scheme is not fair, for the reasons set out in section 4.2 of the Independent Expert's Report.
- If the Scheme proceeds, you will no longer be a Securityholder of Valad and you will not participate in any potential upside that may result from being a Securityholder of Valad.
- The tax consequences of transferring your Securities pursuant to the Scheme may not be optimal for your financial position.
- You may consider that there is potential for a Superior Proposal to be made to Valad.

\rightarrow HOW TO VOTE

Your vote is important

For the Scheme to proceed, it is necessary that the Requisite Majorities vote in favour of both the Company Scheme and the Trust Scheme. The Company Scheme is also subject to Court approval.

Voting entitlements

If you are registered on the Register at 12 noon on Saturday 2 July 2011 as a Securityholder, you will be entitled to vote on each of the resolutions to be considered at the Scheme Meetings, unless you are subject to a voting restriction (see below). Accordingly, registrable transmission applications or transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meetings.

If Securities are jointly held, only one of the joint Securityholders is entitled to vote. If more than one joint Securityholder votes, only the vote of the Securityholder whose name appears first on the Register will be counted.

Notices of Scheme Meetings

The resolutions to approve the Scheme will be considered at the Scheme Meetings, which comprise the Company Scheme Meeting and the Trust Scheme Meeting. These meetings will be held consecutively on Monday 4 July 2011 commencing at 10 am at The Adelaide Room, Sofitel Wentworth Hotel, 61–101 Phillip Street, Sydney.

Voting

You may vote at the Scheme Meetings either in person or by proxy, attorney, or in the case of a corporation, corporate representative.

How to Vote in Person (including by Attorney or Representative)

To vote in person at the Scheme Meetings, Securityholders must attend the Scheme Meetings, to be held on Monday 4 July 2011 at The Adelaide Room, Sofitel Wentworth Hotel, 61–101 Phillip Street, Sydney commencing at 10 am.

A Securityholder who wishes to attend and vote at the Scheme Meetings in person will be admitted to the Scheme Meetings and given a voting card upon disclosure, at the point of entry, of their name and address.

Persons who are attending as an attorney should bring the original or certified copy of the power of attorney to the Scheme Meetings, unless Valad or the Valad Registrar has already noted it.

Persons who are attending as a corporate representative of a body corporate must bring evidence of their appointment. The appointment must comply with sections 250D and 253B of the Corporations Act. An authorised corporate representative will be admitted to the Scheme Meetings and given a voting card upon providing, at the point of entry to the Scheme Meetings, written evidence of their appointment (including any authority under which it is signed), their name and address and the identity of their appointer.

How to vote by proxy

Your personalised proxy form for the Scheme Meetings accompanies this Scheme Booklet. Information setting out how you may vote by proxy is contained in the Notices of Scheme Meetings. If your proxy is signed by an attorney, please also enclose the authority under which the proxy is signed (or a certified copy of the authority).

Proxy forms may be lodged as follows:

Mail to:

Link Market Services Limited Locked Bag A14 Sydney South NSW 1235

Deliver to:

Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000

Fax to:

+61292870309

Sent electronically

You can also lodge your votes online at www.linkmarketservices.com.au, or send your form to Valad at:

Valad Property Group Level 9, 1 Chifley Square Sydney NSW 2000 Australia

Fax to:

+ 61 2 8257 6655.

If you wish to indicate how your proxy should vote, please mark the appropriate boxes on the proxy form. If in respect of any of the items of business you do not direct your proxy how to vote, you are directing your proxy to vote as they decide. If you mark the abstain box for a particular item you are directing your proxy not to vote on your behalf and your Securities will not be counted in calculating the required majority on a poll. Please refer to the proxy form for further instructions on how to appoint a proxy.

The chairman of the meeting is deemed to be appointed where a signed proxy form is returned which does not contain the name of the proxy or where the person appointed on the form is absent.

If your proxy is the chairman of the meeting and you have not indicated on the form how the votes are to be cast, you will be taken to have directed the chairman of the meeting to vote in favour of all of the resolutions to be considered at the meeting.

Proxy forms, together with any power of attorney or authority under which the proxy form is signed, must be received no later than 12 noon on Saturday 2 July 2011. Proxy forms received after this time will be invalid.

A proxy will be admitted to the Scheme Meetings and given a voting card upon providing, at the point of entry to the Scheme Meetings, written evidence of their name and address. The sending of a proxy form will not preclude a Securityholder from attending in person and voting at the Scheme Meeting. However, the Corporations Act specifies that the presence of a Securityholder at a meeting suspends his or her proxy's rights to speak and vote.

Quorum requirements

The quorum for a meeting of members of VFML or VPT is at least two members of VFML or VPT (as applicable) present in person or by proxy or representative, holding or representing the holders of at least 10% of the securities on issue.

How do you exercise your right to vote?

All votes on the resolutions at the Company Scheme Meeting and the Trust Scheme Meeting will be decided on a poll.

On a poll at the Company Scheme Meeting, each Securityholder present in person or by proxy has one vote for each VFML share they hold. On a poll at the Trust Scheme Meeting, each Securityholder present in person or by proxy has one vote for each dollar of the value of the VPT units they hold.

Voting restrictions

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

In relation to resolution 2 in the Notice of Trust Scheme Meeting, which relates to the exemption from the takeover rules in item 7 of section 611 of the Corporations Act, Bidtrust and its associates are not entitled to vote.

→ FREQUENTLY ASKED QUESTIONS

This Scheme Booklet contains detailed information regarding the Scheme. This section provides summary answers to some questions that Securityholders may have in relation to the Scheme and will assist you to locate further detailed information in this Scheme Booklet.

| Questions | Answers | Further Information | | |
|---|--|------------------------------|--|--|
| CONSIDERATION | | | | |
| What is the Scheme? | Under the Scheme, the Bidders will acquire all Valad Securities. | Part B, section 2 | | |
| | Acorn FM Holdings (UK) Limited (Bidco) will acquire all the shares in VFML and Acorn FM Trusco Pty Limited as trustee for Acorn FM Unit Trust (Bidtrust) will acquire all the units in VPT. For this to occur, the shares and units will need to be unstapled. | | | |
| What will I receive if the Scheme is approved and implemented? | You will receive A\$1.80 cash for each Security that you hold at the Record Date. | | | |
| Who is Blackstone? | Blackstone is a leading global asset manager and provider of financial advisory services. As at 31 March 2011, through its different investment businesses, Blackstone had total assets under management of approximately US\$150 billion. | Part B, section 4 | | |
| When will I receive the Scheme Consideration? | You will be sent your Scheme Consideration on the Implementation Date. | Important dates, page 2 | | |
| Will this be a taxable transaction for Australian tax purposes? | The sale of your Securities pursuant to the Scheme may be a taxable transaction. If you are an Australian resident, further details of the general tax consequences of the transaction are set out in Section 7 of this Scheme Booklet. You should seek your own professional advice regarding the individual tax consequences applicable to you. It will vary with your country of tax residence. | Part C, section 7 | | |
| Will I have to pay brokerage fees or stamp duty? | No brokerage fees or stamp duty will be payable by you on the transfer of your Securities under the Scheme. | | | |
| VOTING | | | | |
| When and where will the Scheme Meetings be held? | The Scheme Meetings with be held on Monday 4 July 2011 at The Adelaide Room, Sofitel Hotel, Phillip Street, Sydney commencing at 10 am. | Important dates, page 2 | | |
| Am I entitled to vote? | If you are registered as a Securityholder on the Register as at 12 noon on Saturday 2 July 2011, you will be entitled to vote at the Scheme Meetings, unless you are subject to a voting restriction (see page 9). You may vote in person, including by duly appointed attorney or in the case of a body corporate, corporate representative. You may also vote by proxy if you have completed and lodged or faxed the proxy form accompanying this Scheme Booklet so it is received by 12 noon on Saturday 2 July 2011. | How to vote, page 8 | | |
| What does the Valad Board recommend? | The Valad Board unanimously considers that the Scheme is in the best interests of Valad Securityholders, and recommends that Valad Securityholders vote in favour of the Scheme in the absence of a Superior Proposal. | Chairman's letter, page 3 | | |

| Questions | Answers | Further Information |
|--|---|------------------------|
| VOTING continued | | |
| How do the Valad Directors intend to vote? | All Valad Directors who hold or control Valad Securities intend to vote in favour of the Scheme in the absence of a Superior Proposal. | |
| What is the opinion of the Independent Expert? | The Independent Expert, KPMG, has concluded that the Scheme, in the absence of a Superior Proposal, is not fair but reasonable, and is in the best interests of Securityholders as a whole. The complete Independent Expert's Report is set out in section 6. You are encouraged to read it in full. | Part C, section 6 |
| How must the Scheme be approved? | For the Scheme to be approved, all resolutions at both the Company Scheme and the Trust Scheme must be passed by the Requisite Majorities (see the section entitled "Explanation of the resolutions" on page 6). | |
| | For the resolution to approve the Company Scheme to pass: | |
| | a majority in number of Securityholders present and voting (either in person or by proxy, attorney or corporate representative) must vote in favour of the resolution; and | |
| | → at least 75% of the votes cast by Securityholders present and voting (either in person or by proxy, attorney or corporate representative) on the resolution must be cast in favour of the resolution. | |
| | For each resolution to approve the unstapling of VFML shares from VPT units to pass, at least 75% of the votes cast by Securityholders present and voting (either in person or by proxy, attorney or corporate representative) on the resolution must be cast in favour of the resolutions. | |
| | For the resolution to approve the VPT constitutional amendments to pass (and to therefore facilitate the Trust Scheme), at least 75% of the votes cast by Securityholders present and voting (either in person or by proxy, attorney or corporate representative) on the resolution must be cast in favour of the resolution. | |
| | For the resolution to approve the acquisition of VPT units (including for the purposes of the takeover rules), at least 50% of the votes cast by Securityholders present and voting (either in person or by proxy, attorney or corporate representative) on the resolution must be cast in favour of the resolution. | |
| Should I vote? | You do not have to vote. However, the Valad Directors believe that the Scheme is important to all Securityholders and unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal. | |
| | If you are not able to attend the meetings in person, you may also vote by proxy. | |

→ FREQUENTLY ASKED QUESTIONS (continued)

| Questions | Answers | Further Information |
|--|--|------------------------|
| VOTING continued | | |
| Where do I send my proxy form? | If you would like to vote at the Scheme Meetings by proxy, the proxy form which accompanies this Scheme Booklet should be returned by posting in the reply paid envelope provided (for use in Australia only), or by posting, or faxing or hand delivering to one of the following: | How to vote, page 8 |
| | To the Valad Registrar | |
| | Mail to: Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 | |
| | Deliver to: Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Australia | |
| | Fax to: + 61 2 9287 0309 | |
| | Sent electronically You can also lodge your votes online at www.linkmarketservices.com.au | |
| | To Valad | |
| | Deliver to: Valad Property Group Level 9, 1 Chifley Square Sydney NSW 2000 Australia | |
| | Fax to: + 61 2 8257 6655 | |
| | In order for an appointment of a proxy to be effective, a validly completed proxy form must be received by the Valad Registrar or by Valad no later than 12 noon on Saturday 2 July 2011. | |
| | Appointing a proxy does not mean that you are not able to attend the Scheme Meetings. However, the Corporations Act specifies that the presence of a Securityholder at a meeting suspends his or her proxy's rights to speak and vote. Accordingly you will be asked to revoke your proxy when registering at the Scheme Meetings. | |
| What happens if I do not vote or if I vote against the Scheme? | If you are a Securityholder at the Record Date and the Scheme is approved, your Securities will be transferred pursuant to the Scheme and you will be entitled to receive the Scheme Consideration for your Securities. This is so even if you did not vote, or voted against the Scheme. | |
| | If the Scheme is not approved, you will remain a Valad Securityholder. | |

| Questions | Answers | Further Information |
|--|---|------------------------|
| OTHER | | |
| What will happen to Valad if the Scheme proceeds? | The intentions of the Bidders for Valad if the Scheme proceeds are set out in section 4.5 of this Scheme Booklet. | |
| When will the result of the meetings be known? | The result of the Scheme Meetings will be available shortly after the conclusion of the Scheme Meetings and will be announced to ASX once available. You should be aware that the Scheme is subject to the approval of the Court. | |
| What happens if a Superior Proposal emerges? | If a Superior Proposal emerges, this will be announced to ASX and the Valad Directors will carefully consider the proposal and advise you of their recommendation. | |
| When is the break fee payable by Valad to the Bidders? | In the case of certain breaches of the Scheme Implementation Deed, or failure to perform obligations under it by Valad, a break fee of A\$2.1 million is payable to the Bidders. | |
| | For example, the fee would be payable if the Valad Directors recommended that Securityholders accept a Superior Proposal. | |
| When is the break fee payable by the Bidders to Valad? | In the case of certain breaches of the Scheme Implementation Deed, or failure to perform obligations under it by the Bidders, a break fee of A\$2.1 million is payable to Valad. | |
| What if the Bidders do not perform their obligations under the Scheme Implementation Deed? | Valad Securityholders should be aware that under the Scheme Implementation Deed the maximum aggregate amount which the Bidders are required to pay to any person in relation to any breach or breaches of the Scheme Implementation Deed by the Bidders, or their failure to perform their obligations under that deed, is the amount that is equivalent to the break fee (that is, an amount equal to the A\$2.1 million payable to Valad under clause 10.8(a) of the Scheme Implementation Deed), which will be the sole and exclusive remedy against the Bidders. If the Scheme was approved but the Bidders did not proceed to pay the Scheme Consideration and acquire the Scheme Securities (because they were unwilling or unable to proceed or for any other reason), this is the only amount Valad could claim against the Bidders for breach of the Scheme Implementation Deed. | |
| What if I have further questions about the Scheme? | If you have any further questions about the Scheme, please contact the Securityholder Information Line on 1800 857 305 inside Australia or +61 2 8256 3371 from outside Australia during business hours. | |

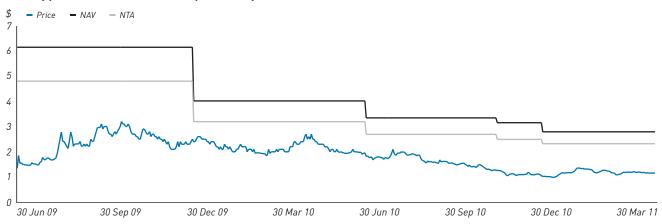


→ MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME

1.1 Background to the Proposal

The Valad Security price has been trading at a discount to NTA per Security and NAV per Security for a considerable period of time. Factors that have contributed to the Security price performance have included significant asset value write-downs, a high level of gearing, suspension of distributions and the impact of capital constraints on Valad's ability to fund developments, and managed fund co-investments.

Security price relative to NAV and NTA per Security



The Valad Board believes the Scheme delivers certain value at a substantial premium to market price. The Board has been considering a range of Strategic Options to maximise Securityholder value. These Strategic Options have included:

(a) Maintaining status quo

Valad has a number of debt facilities maturing in the short to medium term. It is possible that Valad may experience difficulty in refinancing some or all of these debt maturities, and the terms on which they are refinanced may also be less favourable than at present.

As a result, in the absence of the Scheme, the Board believes that Valad would need to continue to seek to reduce gearing through recapitalisation of Valad and/or asset and business sales.

(b) Recapitalisation of Valad

The Board has considered a recapitalisation through an equity raising to reduce gearing. Any recapitalisation of Valad would need to be of a sufficient size to reduce gearing to a more sustainable level.

Valad last raised equity in September 2009, raising \$59.5 million via a placement and rights issue. The equity raising was priced at a 37.5% discount to Valad's then Security price, a 67.4% discount to the NAV per Security at 30 June 2009 and a 58.2% discount to the NTA per Security at 30 June 2009.

The Valad Board believes that a recapitalisation would be materially dilutive to NTA and NAV per Security.

→ MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME

(c) Asset and business sales

The Valad Board has been considering asset sales and business sales with the intention that the proceeds of such sales be used to reduce gearing. Initiatives disclosed to the market through the ASX include the disposal of the co-investment stakes and management rights in relation to the Australian wholesale fund, V Plus, the establishment of a process to assess potential interest in a disposal of the European business and the sale of the Sheraton Noosa.

The Scheme Consideration plus assumed liabilities represents an imputed discount of 12.4% to Valad's gross asset value (GAV) as at 31 December 2010, and is a certain cash outcome in a short time frame. The process of selling assets and businesses would take a longer period of time and the net proceeds relative to book value could vary significantly compared to the imputed discount.

A successful asset sale programme would assist in reducing Valad's gearing, but would still leave Valad as a small A-REIT which would impact the likely trading price on an ongoing basis.

In addition, there is no certainty as to the outcome of these sale processes, including the value that can be achieved by Valad and the timing of realisation of any proceeds. Given the risk and uncertainty associated with these initiatives, the Valad Board has focused on delivering certainty to Securityholders in a defined time frame.

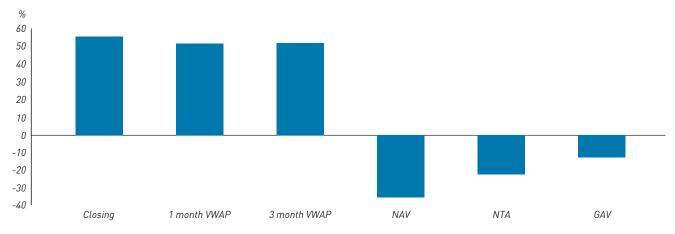
Valad will not proceed with most of these disposal processes while Securityholders are considering the Scheme.

(d) Transactions to acquire 100% of issued capital of Valad

The Board had stated that it would consider the acquisition of 100% of the Valad Securities as a means of providing certain value to Securityholders.

On 29 April 2011, Valad announced that it had entered into a Scheme Implementation Deed pursuant to which the Bidders proposed to acquire 100% of the Valad Securities at a price of A\$1.80 per Security. The Scheme Consideration of A\$1.80 per security represents a substantial premium to Valad's recent trading price, but a discount to Valad's NTA, NAV and GAV per security as at 31 December 2010.

Premium/discount analysis



The Valad Directors unanimously recommend that Securityholders vote in favour of the Scheme in the absence of a Superior Proposal.

1.2 Reasons to vote in favour of the Scheme

(a) Valad Directors unanimously recommend that you vote in favour of the Scheme in the absence of a Superior Proposal

The Valad Directors believe that the Scheme is in the best interests of Securityholders and unanimously recommend that, in the absence of a Superior Proposal, Securityholders vote in favour of the Scheme at the Scheme Meetings.

In reaching their recommendation, the Valad Directors assessed the Scheme having regard to Valad's current strategic plans and the risks and potential returns related to other Strategic Options.

The Valad Directors believe that the offer represents a substantial premium to Valad's recent market price and provides an opportunity for Securityholders to realise value that might not be achieved in the near term if the Scheme does not proceed.

Each of the Valad Directors who holds Securities, or on whose behalf Securities are held, intends to vote in favour of the Scheme in the absence of a Superior Proposal.

The interests of the Valad Directors and the number and description of Securities held by or on behalf of the Valad Directors is set out in section 5.2(a) of this Scheme Booklet.

(b) The Independent Expert's opinion

The Independent Expert, KPMG, has concluded that, in its opinion: "the Scheme, on balance, in the absence of a superior proposal is:

- ightarrow not fair but reasonable to securityholders
- → in the best interests of securityholders".

(Independent Expert's Report page 3)

In reaching its conclusion, the Independent Expert commented that:

"In summary, we consider the offer to be reasonable to security holders, primarily as:

- → In the short to medium term alternatives, which have an element of risk, are unlikely to result in securityholders realising a value greater than the offer price of \$1.80
- → The Scheme represents a premium of over 50% to the trading price, which exceeds the average premium in other transactions and that recently achieved in other property transactions
- → The Directors have advised that no alternative proposal has been received that is superior to the Blackstone offer

→ The Scheme provides certainty to securityholders

As such it is our opinion that the Scheme is **not fair but reasonable** to securityholders of Valad.

... We have formed the opinion that the Scheme is not fair but reasonable and we are of the opinion that the Scheme is also **in the best interests** of securityholders in Valad, in the absence of a superior proposal." (Independent Expert's Report page 11)

Section 6 of this Scheme Booklet contains a copy of the Independent Expert's Report, which you are encouraged to read in full.

(c) The Scheme provides certain value via all

The Scheme Consideration of A\$1.80 per Security provides certainty to Securityholders in terms of value and expected timing of receipt of cash consideration in the event that the Scheme is approved. If the Scheme is not approved and Valad pursues other Strategic Options, the value that Securityholders may realise and the timing of that realisation is uncertain and subject to a number of risks. See section 3.6.

(d) The Scheme Consideration represents a significant premium to historic trading prices

The total cash payable to Valad Securityholders, if the Scheme becomes Effective, represents a substantial premium of approximately:

- → 56% premium to the closing security price on 27 April 2011 of A\$1.155.
- → 52% premium to the VWAP of Valad Securities in the one month up to and including 27 April 2011 of A\$1.19; and
- → 52% to the volume weighted average price (VWAP) of Valad Securities in the three months up to and including 27 April 2011 of A\$1.18 (the day prior to the announcement of the proposal);

Although the Scheme Consideration represents a discount to NTA and NAV (see 1.3(b) below) the Valad Board considers that there is a significant risk and time involved in seeking to realise the NTA per Security and NAV per Security of Valad. It is important that Securityholders note that the Security price of A\$1.155 prior to the announcement of the Proposal represented a 59% discount to NAV per Security and a 50% per Security discount to NTA.

→ MATTERS RELEVANT TO YOUR VOTE ON THE SCHEME

(e) No Superior Proposal has emerged

As at the date of this Scheme Booklet, no Superior Proposal has emerged. However, there remains the possibility that a third party may make a Superior Proposal prior to the Scheme Meeting.

The Scheme Implementation Deed includes customary no-shop and no-talk obligations on Valad which prevent Valad from soliciting a competing offer or proposal in certain circumstances (see section 2.3(b) of this Scheme Booklet for more details).

The Scheme Implementation Deed does not prevent a third party from making an alternative proposal and does not prevent the Valad Directors from responding to an unsolicited written proposal if, and to the extent, necessary to discharge their fiduciary duties. However, under the Scheme Implementation Deed, Valad is required to pay a break-fee of A\$2.1 million to the Bidders on the occurrence of certain events, which includes the Valad Directors withdrawing their recommendation because of a Superior Proposal (see section 2.3 for more details).

The Valad Directors will notify Securityholders if a Superior Proposal is received before the Scheme Meeting.

(f) Valad's Security price may fall if the Scheme is not approved

Valad's Security price rose by 51.5% following the announcement of the Proposal on 29 April 2011. The Valad Directors believe that if the Scheme is not approved and no alternative proposal emerges, it is likely that the Security price will fall to below the level at which it has been trading since the Proposal was announced.

(g) No brokerage or stamp duty will be payable on the transfer of your Securities

You will not incur any brokerage or stamp duty on the transfer of your Valad Securities to the Bidders pursuant to the Scheme.

1.3 Reasons not to vote in favour of the Scheme

(a) You might not agree with the Valad Directors' recommendation and the Independent Expert's conclusions

The Valad Directors have had regard to the considerations set out in section 1.2 in recommending that Securityholders vote in favour of the Scheme. However, Securityholders may hold a different view and are not obliged to follow the recommendation of the Valad Directors.

(b) The Scheme Consideration is at a discount to NTA and NAV as at 31 December 2010

The Scheme Consideration of A\$1.80 per security represents a 35% discount to NAV per Security and 22% discount to NTA per Security as at 31 December 2010. Securityholders may consider that the Scheme Consideration does not reflect realisable long-term value of Valad.

(c) The Independent Expert has considered that the Scheme is not fair

The Independent Expert has concluded that the Scheme, while reasonable and in the best interests of Securityholders, is not fair for the reasons set out in section 4.2 of the Independent Expert's Report. A copy of the Independent Expert's Report is included in section 6 of this Scheme Booklet, which Securityholders should read in full.

(d) Scheme Participants will no longer be members of Valad

If the Scheme proceeds, Scheme Participants will no longer be members of Valad and will not participate in any potential upside that may result from being a member of Valad.

(e) Tax consequences

If the Scheme becomes Effective there will be tax consequences for Securityholders which may include tax payable on any gain on disposal of Securities. Further information on the relevant tax consequences for Australian residents is contained in Section 7 of this Scheme Booklet. However, the Tax Report does not amount to specific taxation advice and Securityholders should seek their own professional advice regarding the individual tax consequences.

(f) Expectation of Superior Proposal

You may consider that there is a potential for a Superior Proposal to emerge before the Scheme Meeting. However, as at the date of this Scheme Booklet no Superior Proposal has emerged. If a Superior Proposal does arise, this will be announced to ASX and the Valad Directors will carefully consider the proposal and advise you of their recommendation.

1.4 Other considerations

Securityholders should take into account that they may sell their Securities on ASX prior to the Effective Date if they do not wish to hold them and participate in the Scheme (although normally brokerage expenses on the sale will be incurred). Certain Securityholders' individual financial or taxation circumstances may make it preferable for them to do so. Securityholders should seek their own professional advice regarding any decision with respect to their Securities.

1.5 Effect of the Scheme

Details of the effect of the Scheme on Scheme Participants are set out in Section 2 of this Scheme Booklet.

1.6 Steps for implementation of the Scheme

Details of the steps for implementation of the Scheme are set out in Section 2.4 of this Scheme Booklet.

→ EFFECT OF THE SCHEME

2.1 Overall effect of the Scheme

Completion of the Scheme, through the transfer of all of the Scheme Securities to the Bidders, will result in Valad effectively becoming a wholly owned subsidiary of private investment funds managed by Blackstone.

If the Scheme becomes Effective, all Scheme Participants will be paid the Scheme Consideration in respect of each Security held by them as at the Record Date, which will be paid as follows:

- → two Business Days before the Implementation Date the Bidders will make cash payments to a trust account in the name of the Valad Registrar, Link Market Services Limited, of the Scheme Consideration of \$1.80 for each Security on issue on the Record Date, allocated as to \$0.01 for the VFML share component, and A\$1.79 for the VPT unit component; and
- → on or immediately following the Implementation Date, the Valad Registrar will pay the Scheme Consideration to Scheme Participants either by cheque or by direct credit (if an appropriate authority has been received).

Valad will apply to ASX for suspension of trading in Securities on ASX after the close of trading on ASX on the Effective Date. Following implementation of the Scheme, Valad will request that ASX remove Valad from the official list of ASX.

2.2 What happens if the Scheme does not proceed?

(a) Securityholders will retain Securities

If the Scheme does not proceed, the Scheme Consideration will not be paid and Valad will continue to be listed on ASX. Securityholders will retain their Securities and continue to share in any benefits and risks of Valad's ongoing business. Depending on the reason why the Scheme does not proceed, a break fee may be payable either by Valad or to Valad. If the reason why the Scheme does not proceed is that Securityholders do not pass the resolutions to approve the Scheme, that does not of itself cause the break fee to be payable. See sections 2.3(d) and (e) following.

(b) Intentions of the Valad Board

If the Scheme does not proceed, decisions in relation to the future of Valad will continue to be taken by the Valad Board. The Valad Board would give further consideration to the Strategic Options which may be available to it (see Section 1.1 above). However, at this time the Valad Board has not formed any specific plans to:

- → make any significant changes to the business of Valad nor redeploy any of the operating assets of Valad; or
- change or affect the future employment of the present employees of Valad.

2.3 Key terms of the Scheme Implementation Deed

(a) Conditions precedent to the Scheme

In addition to Court approval of the Company Scheme in accordance with section 411(4)(b) of the Corporations Act, the following conditions need to be satisfied or waived prior to 8 am on the Second Court Date and otherwise in accordance with the Scheme Implementation Deed:

- → approvals from all relevant Australian regulatory bodies such as FIRB, ASIC and ASX, and certain UK, Guernsey and European regulatory authorities;
- → securityholders' approval of the Scheme at the Scheme Meetings by the Requisite Majorities;
- → consents from certain third parties, such as financiers and co-owners;
- the Independent Expert has not withdrawn or changed its opinion;
- → no "Valad Prescribed Occurrence" has occurred as stipulated in the Scheme Implementation Deed (without the Bidders' consent);
- → no "Valad Material Adverse Change" has occurred as stipulated in the Scheme Implementation Deed;
- the Scheme Implementation Deed has not been terminated, for example, for material breach, or if agreed by the parties;
- → the Deed Poll has been delivered by the Bidders;
- there has not been a change in law that restrains, prohibits or materially adversely impacts on the Scheme:
- the Valad Board does not withdraw, change or qualify its recommendation to Securityholders regarding the Scheme;
- → the warranties given by Valad and the Bidders remain correct; and
- → the Bidders are provided with evidence regarding the exercise or lapse of options over Securities.

(b) Exclusivity

Valad has undertaken that, at the date of the Scheme Implementation Deed, it was not in discussions regarding a Competing Bid with any person. Valad must ensure that during the period from the date of the Scheme Implementation Deed to 23 September 2011 or such later date as the parties agree (the "Exclusivity Period"), it will not directly or indirectly:

- → solicit or encourage discussions;
- → communicate any intention to do these things; or
- → except in circumstances where the fiduciary exception described in paragraph (c) below applies, enter into any negotiations, discussions, agreements or arrangements with a view to obtaining an offer, proposal or expression of interest from any person in relation to a Competing Bid,

if to do so may be reasonably likely to lead to a Competing Bid. This does not prevent Valad making normal presentations to and responding to enquiries from brokers, investors and analysts, in relation to the Scheme or its business generally.

Subject to the fiduciary exception in paragraph (c) below, during the same period, Valad has agreed not to provide any potential competing bidder with access to non-public information in relation to Valad.

Also, if Valad does receive a Competing Bid during the Exclusivity Period, it is required to notify the Bidders of the material terms of that Competing Bid and the Valad Board must not withdraw its recommendation of the Scheme for a period of two Business Days following the date the Bidders were notified of the Competing Bid.

(c) Fiduciary exception

The obligations described in paragraph (b) above as being subject to this paragraph (c) do not apply if the Valad Board has formed the opinion, in good faith and acting reasonably, after consultation with Valad's financial adviser and after receiving legal advice, that a failure to provide access to the potential competing bidder would reasonably be likely to constitute a breach of fiduciary duties or would otherwise be unlawful due to the reasonable likelihood that a Competing Bid could become a Superior Proposal.

(d) Break fee

In the case of termination of the Scheme Implementation Deed due to certain breaches by either Valad or the Bidders, a break fee is payable to the non-defaulting party or parties of A\$2.1 million, which is approximately 1% of the equity value in the transaction. The break fee is also payable by Valad if the Valad Directors change their recommendation due to a Superior Proposal. (See clauses 10.6–10.8 of the Scheme Implementation Deed in section 8 for further details).

(e) Limitation on liability

Under the Scheme Implementation Deed the maximum aggregate amount which the Bidders are required to pay to any person in relation to any breach or breaches of the Scheme Implementation Deed by the Bidders, or their failure to perform their obligations under that deed, is the amount that is equivalent to the break fee (that is, an amount equal to the A\$2.1 million payable to Valad under clause 10.8(a) of the Scheme Implementation Deed), which will be the sole and exclusive remedy against the Bidders.

The liability of Valad for breaches of the Scheme Implementation Deed is not limited in this way. The Scheme Implementation Deed will not be breached, nor will a break fee be payable, by Valad simply because Securityholders do not approve the Scheme at the Scheme Meetings.

(f) Termination

The Scheme Implementation Deed may be terminated:

- → (End Date) by either party, if the Scheme has not become Effective on or before 23 September 2011 or such later date as the parties agree; or
- \rightarrow (lack of support or breach):
 - by the Bidders, if the Valad Board changes its recommendation that Valad Securityholders vote in favour of the Scheme, or otherwise makes a public statement indicating that it no longer supports the Scheme, or any Valad Director makes a public statement to that effect and the Valad Board does not publicly confirm its recommendation of the Scheme; or
 - by either the Bidders or Valad if the other is in material breach of the Scheme Implementation Deed (including a warranty), provided that either the Bidders or Valad, as the case may be, has given notice to the other of the details of the breach and stating an intention to terminate and the relevant circumstances continue to exist five Business Days after the time such notice is given; or

→ EFFECT OF THE SCHEME (continued)

- → (Independent Expert) by either party, if the Independent Expert opines that the Scheme is not in the best interests of Securityholders; or
- → (restraint) by either party, if a Court or other Regulatory Authority has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the acquisition of the Securities by the Bidders; or
- → (insolvency) by either party if the other party or any of their Related Bodies Corporate become Insolvent (and in the case of a Related Body Corporate this results in a "Valad Material Adverse Change" as defined in the Scheme Implementation Deed); or
- → (Prescribed Occurrence) by the Bidders, if a "Valad Prescribed Occurrence" occurs which results in or discloses a "Valad Material Adverse Change" (each as defined in the Scheme Implementation Deed); or
- → (Superior Proposal etc) by Valad, if a Superior Proposal is publicly announced or the Independent Expert changes its opinion as set out in this Scheme Booklet, and the Valad Board consequently changes its recommendation; or
- → (agreement) if agreed to in writing by the Bidders and Valad.

2.4 Steps in implementing the Scheme

(a) Scheme Implementation Deed

On 28 April 2011, Valad and the Bidders entered into the Scheme Implementation Deed under which Valad agreed to propose the Scheme. A summary of the key terms of the Scheme Implementation Deed is set out in section 2.3 and a copy of the Scheme Implementation Deed is provided in section 8.

(b) Deed Poll

The Bidders have executed a Deed Poll pursuant to which the Bidders agreed, subject to the Scheme becoming Effective, to provide the Scheme Consideration to each Scheme Participant. A copy of the Deed Poll is included in section 11.

(c) Court hearings

On 30 May 2011, the Court ordered that Valad convene the Company Scheme Meeting to be held at The Adelaide Room, Sofitel Wentworth Hotel, 61–101 Phillip Street, Sydney on Monday 4 July 2011 commencing at 10 am for the purposes of considering the Company Scheme. The Court also indicated, in response to Valad's request for Judicial Advice, that Valad is justified in proceeding on the basis that the making of the proposed amendments to the VPT constitution would, if approved at the Trust Scheme Meeting, be within VCML's powers, and is justified in distributing this Scheme Booklet and convening the Trust Scheme Meeting. These orders of the Court are not, and should not be treated as, an endorsement by the Court of, or any other expression of opinion by the Court on, the Scheme.

Valad will apply to the Court for an order approving the Scheme if the Scheme is approved by the Requisite Majorities at the Scheme Meetings. The Court has a discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved by the Requisite Majorities.

The Corporations Act and the Supreme Court (Corporations) Rules 2000 provide a procedure for Securityholders to oppose the approval by the Court of the Scheme. If you wish to oppose the approval of the Scheme at the Second Court Hearing you may do so by filing with the Court, and serving on Valad, an interlocutory process in the prescribed form together with any affidavit on which you wish to rely at the hearing. With leave of the Court, you may also oppose the approval of the Scheme by appearing at the Second Court Hearing and applying to raise any objections you may have at the hearing. Valad should be notified at least one day in advance of an intention to object. The date for the Second Court Hearing is currently scheduled to be Friday 8 July 2011, though an earlier or later date may be sought. Any change to this date will be announced through ASX and notified on Valad's website at www valad com au

(d) Actions by Valad and the Bidders

If the Court order approving the Scheme is obtained, Valad and the Bidders will take or procure the taking of the steps required for the Scheme to proceed. In particular:

- → Valad will lodge with ASIC office copies of the Court order under section 411 of the Corporations Act approving the Scheme, and VCML will execute the Supplemental Deed and lodge it with ASIC, and the Scheme will become Effective; and
- → the Bidders will appoint nominees to the Valad Board, and Valad will procure the resignation of existing Valad Directors as directed by the Bidders.

2.5 Determination of who is entitled to the Scheme Consideration

For the purpose of calculating entitlements under the Scheme, any dealings in Securities on ASX will only be recognised if such dealings are effected on or before the Close of Trading and registrable transmission applications or transfers in respect of those dealings are received by the Valad Registrar on or before the Record Date.

The Scheme provides that no Securityholder may dispose of or purport or agree to dispose of any Securities or any interest in Securities after the Record Date. Any dealings in Securities after the Record Date will not be recognised.

Valad will register transmission applications or transfers received by the Record Date. Valad will not accept for registration or recognise for any purpose any transfer or transmission application in respect of Securities received after the Record Date.

For the purpose of determining entitlements to Scheme Consideration, Valad will, until payment of such Scheme Consideration has been made, maintain the relevant register upon the basis that Securities have not been transferred and otherwise in accordance with the above paragraphs of this section, and the registers in this form will solely determine entitlements to consideration under the Scheme.

2.6 Payment of Scheme Consideration

If the Scheme becomes Effective:

- → no later than two Business Days before the Implementation Date, the Bidders will deposit the aggregate amount of the Scheme Consideration payable to all Scheme Participants in immediately available funds in a trust account operated by the Valad Registrar, Link Market Services Limited, to be held on trust for the purpose of paying the Scheme Consideration to the Scheme Participants;
- on the Implementation Date, Valad will deliver to the Bidders duly completed and executed master share and unit transfer forms signed on behalf of each Scheme Participant by Valad to transfer all of the VFML shares which were part of Scheme Securities to Bidco, and all of the VPT units which were part of Scheme Securities to Bidtrust;
- → subject to receipt by the Valad Registrar of the Scheme Consideration, the legal transfer of all of the Securities to the Bidders will be completed and Valad will procure that the Valad Registrar enter the names of the Bidders in the Valad Registers in respect of the VFML shares and VPT units which were part of Scheme Securities; and
- on the Implementation Date, the Valad Registrar will send payment of the Scheme Consideration by electronic transfer or mailed cheques to the Scheme Participants.

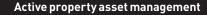
If the Scheme becomes Effective, Scheme Participants will be deemed to have warranted that their Scheme Securities are fully paid and, to the extent permitted by law, free from all encumbrances and third party interests, and that they have full power and capacity to transfer those Securities.

→ INFORMATION ON VALAD

3.1 Valad

Valad operates four lines of business, each underpinned by local active property asset management skills.

| Australian/ NZ real estate | Development | Australian Real Estate Investment Management | European Real Estate Investment Management |
|--|--|--|---|
| \$569 million¹ 27 properties 8.7% cap rate 4.4 year WALE | \$90 million¹ in total \$29 million¹ in Pentridge \$29 million³ 21% stake in One Alfred Street | - \$65 million¹ co-investments AUM of \$768 million² 7 mandates/funds | \$25 million¹ co-investments AUM of \$6.4 billion² 14 mandates/funds |
| \uparrow | \uparrow | \uparrow | \uparrow |



- 1. Book value as at 31 December 2010
- 2. AUM as at 31 December 2010
- $3. \qquad \text{Carrying value of Valad 21\% equity in One Alfred Street joint venture of $28.6 \, million is based on joint venture property asset value of $290 \, million}$

Valad has approximately 290 employees and 23 offices in 13 countries, managing \$8 billion of real estate as at 31 December 2010.

Its core business is value adding real estate, held both directly and in managed funds and mandates, with local asset management teams taking care of approximately 8,500 tenant customers in 900 properties.

3.2 Directors and senior management

The directors of Valad are:

Trevor Gerber (Chairman, Non-executive Director)
Andrew Martin (Non-executive Director)
David Robinson (Non-executive Director)
Robert Seidler (Non-executive Director).

The group executives of Valad are:

Clem Salwin (Acting Chief Executive Officer)
Jennifer Lambert (Group Chief Financial Officer)
Martyn McCarthy (Chief Executive Officer Europe)
David Kirkby (Group Head of Real Estate Investment Management).

3.3 Summary financial performance

The table below sets out Valad's summary financial performance for the full year ended 30 June 2010 and the half year ended 31 December 2010:

| FINANCIAL RESULT | H1 FY11 \$ MILLION | FY10 \$ MILLION |
|---|-----------------------|--------------------|
| Net revenue | 63.4 | 127.1 |
| Operating expenses ¹ | (38.8) | [73.8] |
| Underlying EBITDA | 24.6 | 53.3 |
| Borrowing costs | [19.1] | (43.6) |
| Depreciation, tax and minority interest | (1.9) | (1.7) |
| Underlying earnings | 3.6 | 8.0 |
| Fair Value / impairments / Non-cash Items | | |
| Property Assets – Investment Properties | 12.1 | (51.9) |
| All other Property Assets | (61.3) | (100.9) |
| | | |
| Intangibles, Derivatives and Other Non-cash Items | (5.1) | (20.4) |

 $H1\,FY11\,operating\,expenses\,include\,\$5.7m\,business\,restructuring\,and\,one-off\,costs$

Statement of financial position

| Balance sheet gearing (net debt/TA-cash) | 51.3% |
|---|------------|
| NTA (\$ per security) | \$2.32 |
| NAV (\$ per security) | \$2.79 |
| Net assets | 320.7 |
| Total liabilities | (598.1) |
| Other liabilities | (77.7) |
| Deferred equity contribution to DUKE | (13.1) |
| Convertible notes | (191.1) |
| Interest bearing liabilities | (316.2) |
| Liabilities | |
| Total assets | 918.7 |
| Other assets | 42.1 |
| Cash | 74.2 |
| Goodwill, management rights and other intangibles | 53.9 |
| Total real estate ownership assets | 748.6 |
| Developments | 89.6 |
| Fund co-investments | 90.3 |
| Investment portfolio | 568.7 |
| BALANCE SHEET SUMMARY | TOTAL A\$M |
| The financial position of Valad as at 31 December 2010. | |

 $Valad's \ H1FY11\ investor\ presentation\ is\ available\ from\ the\ Valad\ website\ (www.valad.com.au)$



3.4 Capital structure

Securities and options

As at 27 May 2011 there were 115,108,116 Valad Securities on issue.

As at 27 May 2011 there were 2,074,087 Valad Options on issue. These comprise options granted in previous periods to employees of Valad pursuant to long-term incentive plans or deferred consideration in connection with a business acquisition in 2008. Thirty-eight employees hold these rights, each of which comprises a right to have VFML deliver a Valad Security to the holder of the Valad Option. In addition, Valad has the right to acquire certain Securities from a specific Securityholder and has granted back to back rights to four employees to acquire these Securities at the same price. As the price is far greater than the Scheme Consideration we do not expect these arrangements to be implemented, however, if implemented they would not require any additional securities to be issued.

It is intended that no Valad Options will remain outstanding at 5 pm on the Record Date, as by that time they will vest and either be exercised or expire (expected for Valad Options which are "out of the money"). On this basis, only 995,482 of the 2,074,087 Valad Options on issue are expected to be exercised. The obligation to provide Securities on exercise will be met first from the 282,550 pool of Valad Securities held in trust for employees, and the remainder by Valad issuing new Securities. If the Valad Options are exercised and satisfied in this manner, the total number of securities on issue at the Record Date would increase by 712,932 to a total of 115,821,048.

Convertible Notes

Valad has convertible notes on issue with a face value of A\$185 million.

The holder of the convertible notes has the right, but not the obligation, to convert the notes into Valad Securities at any time up to 12 August 2014, subject to certain conditions. If the convertible notes have not previously converted, or been redeemed or purchased and cancelled, Valad must redeem them on 12 August 2014. Currently the conversion price would be A\$26.60 (post consolidation) per Valad Security. The price would be reset in February and August 2013 if the notes remained on issue.

An affiliate of Blackstone has acquired and is the registered holder of these convertible notes. The transfer of these convertible notes has occurred and is not conditional on the Scheme.

Implementation of the Scheme will trigger an entitlement for the holder to give a notice to Valad requiring it to redeem the notes at face value or 101% of face value (depending on the trigger event relied on) plus any interest accrued.

3.5 Recent security price history

12 month trading history



3.6 Keyrisks

Implementation risk. Even if the Scheme is approved by Securityholders, there is still a risk that the Scheme will not proceed because:

- → the Court may not approve the Scheme; or
- → the Bidders may default on their obligations under the Scheme Implementation Deed, in which case, the Bidders' maximum liability to Valad is capped at A\$2.1 million as explained in section 2.3(e) of this Scheme Booklet.

Ongoing business risks if the Scheme does not proceed.

If the Scheme does not proceed, Securityholders would retain their Valad Securities, and Valad would continue its business as if the Proposal had not been made. If that occurred, there could be a number of risks to Valad and its business and Security price, including the following:

- (a) **Security price:** The knowledge that the Proposal was not approved may have a negative effect on market sentiment and depress the Security price on ASX. It is possible that the price may return to levels at which it was trading before the Proposal was announced, or lower
- (b) **Funds under management:** There may also be a reduction in Valad's funds under management, if investors are concerned about uncertainty for Valad.
- (c) **Transactions and funding:** A scenario where the Proposal is not approved may adversely affect Valad's ability to obtain funding from its financiers, and to enter into transactions in relation to its assets and businesses with third parties.
- (d) **Staff retention:** If the Proposal was not approved, it may be more difficult for Valad to retain and motivate its senior executives and other employees.
- (e) Ongoing risks: If the Scheme did not proceed, Securityholders would continue to be exposed to the normal business risks to which an investment in Valad is subject, including risks in relation to:
 - → refinancing as explained at 1.1(a) above, Valad has a number of debt facilities maturing in the short and medium term, and it is possible that Valad may experience difficulty in refinancing on acceptable terms or at all;

- → leverage the use of leverage makes Valad's profitability susceptible to interest rate rises, and leverage may adversely affect Valad if an investment is unable to generate sufficient cash flow to meet repayments or declines in value, diminishing Valad's equity component in the investment;
- → funding the real estate and development industry is highly capital intensive, and Valad would be adversely affected if it is unable to raise funds on favourable terms for future acquisitions and developments;
- → debt covenants Valad's covenants in relation to its debt facilities, such as interest cover and gearing ratio requirements, may not be met if it is adversely affected by factors such as falling asset values or currency fluctuations, and if covenants are not met the repayment of loans may be accelerated;
- exchange rates a significant part of Valad's income is sourced from countries outside Australia, so foreign currency movements against the Australian dollar may affect returns to Securityholders;
- environmental issues unforseen environmental issues (for example land contamination from an adjoining property) may affect Valad's properties, requiring remediation and making it difficult to sell any affected property;
- → tax and accounting policies changes in tax laws or their interpretation, or accounting policies, may affect Valad;
- → insurance Valad's insurance costs may increase in future due to market conditions, and insurance for some risks may not be available;
- → competition existing and new competition in relation to developments, debt and capital may affect Valad;
- → market factors while Valad Securities are listed, their trading price can fluctuate due to various factors, including interest rates, movements in the Australian and international equity markets, general economic conditions, market sentiment and the volume of trading in Valad Securities.

However, if the Scheme is fully implemented, any further risk in relation to an investment in Valad will end when Securityholders receive their cash payment of the Scheme Consideration.

→ INFORMATION ON VALAD (continued)

3.7 Availability of documents relating to Valad

As an ASX listed company and a "disclosing entity" under the Corporations Act, Valad is subject to regular reporting and disclosure obligations. Broadly these require it to announce price sensitive information to ASX as soon as it becomes aware of the information subject to exceptions for certain confidential information. Valad's most recent announcements are available from its website www.valad.com.au. Further announcements concerning Valad will continue to be made available on the website after the date of this Scheme Booklet.

ASX maintains files containing publicly available information about entities listed on their exchange. Valad's files are available for inspection at ASX during normal business hours and are available on the ASX website (www.asx.com.au).

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

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

- → constitutions of VFML and VPT;
- → Valad's annual report for the financial year ended 30 June 2010;
- → Valad's public announcements; and
- → Valad's interim report for the period ended 31 December 2010.

The annual and interim reports and public announcements are also available at Valad's website www.valad.com.au.

3.8 Intentions of Valad Directors

Assuming the Scheme is to be implemented, the current intentions of the existing Valad Directors for the period they remain in office up to the Implementation Date are:

- (a) to continue the business of VFML and VPT;
- (b) not to make major changes to the business of VFML or VPT or to redeploy the fixed assets of VFML or VPT; and
- (c) to continue to employ the existing employees of Valad, except as otherwise set out in this Scheme Booklet.

The intentions of the Valad Directors if the Scheme is not implemented are set out in Section 2.2(b) above.

→ INFORMATION ON BLACKSTONE AND THE BIDDERS



If the Scheme becomes Effective and is implemented, Bidco will acquire all the shares in VFML, and Bidtrust will acquire all the units in VPT on issue at the Record Date. Bidco and Bidtrust were established for the sole purpose of these acquisitions under the Scheme.

The information in this section 4 of the Scheme Booklet has been provided by Bidtrust and Bidco and they are jointly responsible for its accuracy. Blackstone, its directors, officers and advisors accept no responsibility for the information contained in this section 4 of the Scheme Booklet.

4.1 Ownership of the Bidders

Blackstone Real Estate Partners VI-VD, L.P. holds all the issued shares in Acorn FM Holdings (UK) Limited and all but one of the issued units in Acorn FM Unit Trust. The remaining single unit in Acorn FM Unit Trust is held by Acorn FM Holdings (UK) Limited. Acorn FM Trusco Pty Limited, a company incorporated in Victoria, is the trustee of Acorn FM Unit Trust and is a wholly owned subsidiary of Acorn FM Holdings (UK) Limited.

4.2 Directors of the Bidders

The current directors of Acorn FM Holdings (UK) Limited are:

- → Michael Pegler;
- \rightarrow Peter Stoll; and
- → Chad Pike,

and the current directors of Acorn FM Trusco Pty Limited are:

- \rightarrow Robert Christopher Heady;
- ightarrow Brett Newman; and
- \rightarrow Gary Sumers.

4.3 Overview of Blackstone

Blackstone is a global asset manager and provider of financial advisory services with alternative asset management businesses including the management of private equity funds, real estate funds, hedge fund solutions, credit orientated funds and closed end mutual funds. Blackstone also provides various financial advisory services, including financial and strategic advisory, restructuring and reorganisation advisory and fund placement services. As at 31 March 2011, through its different investment businesses, Blackstone had total assets under management of approximately US\$150 billion, comprising approximately: US\$44 billion in private equity; US\$35 billion in real estate funds; US\$39.5 billion in hedge fund solutions and US\$31.5 billion in credit businesses (figures rounded).

The real estate division of Blackstone (Blackstone Real **Estate Group**) has considerable experience in real estate transactions and has completed several real estate company public-to-private transactions over the years. Blackstone Real Estate Group was founded in 1991 and is one of the largest opportunistic real estate investment managers in the world, having invested or committed to invest approximately US\$23.3 billion of equity in more than approximately 200 real estate investments since inception. The investments are in a broad range of real estate assets, such as office, hospitality, retail, residential, and healthcare. Blackstone Real Estate Group has assembled an asset management capability that is focused on value creation through overseeing and improving the operating performance of individual assets. As at 31 December 2010, the Blackstone Real Estate Group had approximately US\$33.2 billion of assets under management.

→ INFORMATION ON BLACKSTONE AND THE BIDDERS (continued)

Recent investments made by funds, alternative investment vehicles and co-investments affiliated with or advised by Blackstone (Blackstone Funds) include the following:

| Details of business | Details of Blackstone's investment |
|---|---|
| Chiswick Park. In March 2011, Blackstone Funds acquired Chiswick Park (the Park) from a liquidating trust. The Park is an approximately 1.1 million square foot (with potential to develop another approximately 545,000 square foot) Class A urban office park in West London. | Blackstone Funds own 100% of this investment. |
| Centro Properties . In February 2011, Blackstone Funds entered into a binding agreement to indirectly acquire entities comprising substantially all of the U.S. operations of Centro including approximately 590 shopping centres in the U.S. | This transaction is expected to be completed prior to 29 July, 2011, although it should be noted that this transaction may not complete for various reasons, including certain conditions to the transaction not being satisfied. |
| Extended Stay Hotels . In October 2010, Blackstone Funds participated in a joint venture which acquired ESH out of bankruptcy for approximately US\$3.9 billion. | Blackstone Funds have an equity interest of approximately 33.3% in the joint venture entity. |
| General Growth Properties . GGP is publicly reported as the second largest U.S. regional mall owner. The company owns a collection of approximately 169 regional and super regional malls and more than 50 other retail properties. | Blackstone Funds have an equity interest of approximately 5% in GGP and an approximately 1.1% equity interest in its spinoff, The Howard Hughes Corp. |
| Hilton Hotels . In October 2007, an affiliate of the Blackstone Funds merged with Hilton Hotels Corporation (now Hilton Worldwide, Inc. (Hilton)), a global hospitality company whose brands are comprised of more than approximately 3,700 hotels and approximately 610,000 rooms in approximately 82 countries. | Blackstone Funds own 100% of the common equity interest in an indirect parent of Hilton Worldwide Inc. (which common equity interest is subject to certain preferred interests of third parties). |

4.4 Scheme Implementation Deed

Valad Securityholders should be aware that under the Scheme Implementation Deed, the maximum aggregate amount which the Bidders are required to pay to any person in relation to any breach or failure to perform their obligations under that deed by the Bidders is A\$2.1 million (payable to Valad under clause 10.8(a) of the Scheme Implementation Deed), and Valad has agreed with the Bidders under that deed that in no event will the aggregate liability of the Bidders to any person arising under or in connection with any breach of that deed or the failure to perform any obligation under that deed exceed that amount, which will be the sole and exclusive remedy against the Bidders.

4.5 Bidders' intentions if the Scheme is implemented

The Bidders believe that their ability to draw upon the global real estate experience described above puts them in a strong position to be able to strategically assess Valad's business and the viability for growth of the existing platform. There is no present intention for disposals of Valad's assets, however, this is subject to the strategic review of the Valad business as a whole and evaluation of the long term profitability and prospects of the Valad business.

This section 4.5 sets out the intentions of the Bidders in relation to the continuation of the Valad business, any major changes to the Valad business, any redeployment of the fixed assets of Valad and the future employment of the present employees of Valad, in each case if the Scheme is implemented.

The intentions set out in this section 4.5 have been formed on the basis of facts and information concerning Valad (including information obtained during due diligence which may include certain non-public information made available to the Bidders prior to entry into the Scheme Implementation Deed) and the general business environment which is known to the Bidders at the time of preparation of this Scheme Booklet. Final decisions will only be made once the Bidders undertake a detailed review of Valad's activities to evaluate their long-term profitability and prospects. Accordingly, statements set out in this section 4.5 are statements of present intention only which may change as new information becomes available or circumstances change, and the statements in this section 4.5 should be read in that context.

If the Scheme is implemented:

- → Bidco will become the holder of all shares in VFML and Bidtrust will become the holder of all units in VPT;
- → the Bidders intend to appoint their nominees to the Valad Board on or soon after the Implementation Date (the Bidders have not made any decision as to who any nominees will be); and
- → Valad must apply for it to be removed from the official list of the ASX.

Following implementation of the Scheme the Bidders intend to undertake a detailed strategic review of Valad to evaluate the long term prospects and profitability of the business prior to making any final decisions regarding future plans. Decisions about the future operating plans of the Valad business will be made by the Bidders following the acquisition of Valad and completion of the detailed post acquisition review and statements made in this section are subject in all respects to the outcome of that review.

It is intended that certain of Valad's existing finance facilities will be refinanced on or after the Implementation Date, which is discussed further below in section 4.6.

The Bidders do not expect to make a material change to the number of employees who are employed by Valad immediately following implementation of the Scheme, although this will be subject to the strategic review referred to above and the evaluation of the long term profitability and prospects of the Valad business.

Other than as set out above, the Bidders intend to continue to carry on the Valad business materially in the manner in which it is presently conducted and not make any major changes to the business, including any redeployment of its fixed assets, however, this is subject to the strategic review referred to above and the evaluation of the long term profitability and prospects of the Valad business.

There is no proposal whereby any property is to be transferred between Valad and the Bidders, and there are no plans to remove VCML as the responsible entity of VPT and appoint a new responsible entity.

4.6 Funding arrangements for Scheme Consideration

(a) Overview

If the Scheme becomes Effective and is implemented, Securityholders will receive Scheme Consideration of A\$1.80 per Security. Based on the number of Securities on issue as at the date of this Scheme Booklet the maximum amount of cash payable by the Bidders to Securityholders in connection with the Scheme will be approximately A\$207.195 million. In addition, were every Valad Option on issue to be exercised, despite many being "out of the money", 1,791,537 additional Securities would be on issue on the Record Date (after the 282,550 currently held in trust for employees are deployed), meaning an additional maximum amount of A\$3.225 million being payable by the Bidders. If the expected number of Valad Options (995,482) were exercised as set out in section 3.4 above, the total cash payable by the Bidders to Securityholders under the Scheme would be A\$208.987 million.

The Bidders intend to fund the Scheme Consideration with a combination of debt and equity. Subject to the terms and conditions of the commitment letters discussed below, the total amount of equity funding and debt finance available to the Bidders is sufficient to pay the Scheme Consideration (including if all Valad Options are exercised) in accordance with the terms of the Scheme.

The Scheme is not conditional on the Bidders obtaining debt or equity finance to fund the payment of the Scheme Consideration. Accordingly, the description of the Bidders' funding arrangements below is provided for information purposes only, to help demonstrate the arrangements that the Bidders have in place to finance the payment of the Scheme Consideration if the Scheme becomes Effective.

→ INFORMATION ON BLACKSTONE AND THE BIDDERS

(b) Equity funding arrangements

The Bidders have a binding commitment letter dated 28 April 2011 from Blackstone Real Estate Partners VI-VD, L.P., a Blackstone affiliate, pursuant to which that affiliate has agreed to provide funding to the Bidders for them to use to pay a portion of the Scheme Consideration in accordance with the Scheme. The maximum amount available under the commitment letter is A\$260,000,000.

The obligation to provide the equity funding under the commitment letter is subject to:

- the satisfaction or waiver (as applicable) of all the conditions precedent to the Scheme Implementation Deed;
- (ii) the Scheme becoming Effective; and
- the prior or substantially contemporaneous funding of the debt financing (described below) and in an amount not less than A\$440,000,000,

and such funding must be provided except where the Scheme Implementation Deed is terminated in accordance with its terms.

(c) Debt funding arrangements

Funding arrangements

Bidtrust has executed a binding commitment letter dated 4 May 2011 with J.P. Morgan Australia Limited (as arranger and bookrunner only), JPMorgan Chase Bank, N.A. (as underwriter) and National Australia Bank Limited (as arranger, bookrunner and underwriter) (JPMorgan Chase Bank, N.A. and National Australia Bank Limited each, and together with any other financier that becomes a lender as contemplated by the commitment letter, a **Financier**) to provide certain debt facilities to Bidtrust comprising:

- (i) a senior term loan facility split into tranches of A\$246,000,000, NZD45,000,000 and €30,000,000 (Facility A);
- (ii) an A\$100,000,000 senior bridge loan facility (Facility B); and
- (iii) an A\$20,000,000 revolving loan facility (Facility C),

together, Facility A, Facility B and Facility C are referred to as the "Facilities".

The commitment letter (including the term sheet attached to it) contains all of the conditions to funding and sets out the material terms of the Facilities.

Pursuant to the commitment letter, the Facilities will be made available to Bidtrust as follows:

- (i) Facility A and Facility B will be used to fund a portion of the Scheme Consideration, to fund repayment of certain existing debt facilities of the Valad Group and to pay fees, costs and expenses incurred in connection with the Scheme and associated transactions; and
- (iii) Facility C will be used to finance working capital needs and for general corporate purposes.

The total proceeds of Facility A and Facility B, together with the equity funding, are equal to or in excess of the maximum amount that could be required to fund the aggregate of the Scheme Consideration and the proposed refinancing of certain existing debt facilities of the Valad Group.

It is intended that, prior to the Scheme Meetings, long-form financing documents on terms consistent with the term sheet attached to the commitment letter [Finance Documents] will be entered into.

Conditions precedent to the availability of the Facilities

The availability of the Facilities is subject to a number of conditions precedent, including:

- (i) the execution and delivery of the Finance Documents:
- (ii) confirmation by Bidtrust that the Scheme is approved by order of the Court under section 411(4)(b) of the Corporations Act 2001 (Cwlth);
- (iii) evidence that the relevant Blackstone affiliate is capitalised in an amount at least equal to 35% of the Scheme Consideration and related acquisition costs; and
- (iv) satisfaction of other conditions which are procedural in nature and customary for facilities of this kind.

It is expected that these conditions will be satisfied or waived before the Second Court Date (other than Court approval and certain other conditions that are intended to be satisfied concurrently with, or prior to, or immediately after the first drawdown under the Facilities prior to the Implementation Date including the payment of fees and expenses, repayment of certain existing indebtedness and releases of applicable existing security interests).

If these conditions precedent are satisfied (including those described in the paragraph below) and the equity funding has been provided or will be simultaneously provided with the debt funding, then the Financiers must provide the funds for their portion of the commitment under the Facilities. As at the date of this Scheme Booklet, the Bidders are not aware of any reason why any of the conditions precedent to the Facilities will not be satisfied, and expect that they will be satisfied, in time to allow payment in full of the aggregate Scheme Consideration as and when due under the terms of the Scheme.

The availability of the Facilities is subject to the correctness of certain representations, compliance with certain undertakings and there not occurring and subsisting certain events of default (in each case, as are customary for facilities of this nature). As at the date of this Scheme Booklet, the Bidders are not aware of the occurrence of any misrepresentation, breach of undertaking or event of default or any circumstance that would lead to any misrepresentation, breach of undertaking or event of default or which would give rise to a right to the Financiers to terminate the Facilities.

4.7 Bidders' interests in Securities

As at the date of this Scheme Booklet, neither the Bidders nor any of their associates (as defined in the Corporations Act) has a Relevant Interest in any Securities.

Separately, a Blackstone affiliate has purchased:

- (a) A\$131.35 million guaranteed exchangeable notes of Valad Daybreak Holdings Pty Ltd as trustee of the Valad Daybreak Trust; and
- (b) A\$53.65 million guaranteed exchangeable notes of Valad Daybreak Pty Limited,

as disclosed in the ASX announcement issued by Valad on 29 April 2011. These notes may be converted into Securities as described in Section 3.4.

During the four months prior to the date of this Scheme Booklet, neither the Bidders nor any of their associates (as defined in the Corporations Act) gave, or agreed to give, consideration for any Security, other than under the Scheme.

4.8 Benefits to holders of Securities

During the four months before the date of this Scheme Booklet, neither the Bidders nor any of their associates (as defined in the Corporations Act) have given or offered to give or agreed to give a benefit to another person where the benefit was likely to induce the other person, or an associate to:

- → vote in favour of the Scheme; or
- \rightarrow dispose of Securities,

and where the benefit was not offered to all Securityholders.

4.9 Benefits to Directors

The Bidders will not be making any payment or giving any benefit to any current member of the Valad Board as compensation or consideration for, or otherwise in connection with, their resignation from the Board, if the Scheme becomes Effective and the Valad Board is accordingly reconstituted.

→ ADDITIONAL STATUTORY INFORMATION

This section sets out the additional information required by section 412(1) of the Corporations Act and Part 3 of Schedule 8 of the Corporations Regulations, as well as some additional information that may be of interest to Securityholders.

5.1 Substantial Securityholders

As at 25 May 2011, the substantial Securityholders of Valad were notified as follows:

| SUBSTANTIAL SECURITYHOLDER | % OF SECURITIES |
|---|-----------------|
| Orbis Investment Management (Australia) Pty Limited | 18.93% |
| Centaurus Capital Limited | 9.19% |
| UBSAG | 5.86% |
| Deutsche Bank Group | 5.67% |

5.2 Marketable Securities of Valad held by or on behalf of Directors

(a) Directors' interests in marketable securities

The following table shows the relevant interest of each Valad Director in Securities as at the date of this Scheme booklet:

| NAME OF DIRECTOR | SECURITIES IN WHICH THE DIRECTOR HAS A RELEVANT INTEREST |
|------------------|---|
| Trevor Gerber | 6,250 direct 77,201 indirect |
| Andrew Martin | 52,735 indirect |
| Bob Seidler | 6,250 direct 8,023 indirect |

Separately each of Mr Trevor Gerber and Mr Bob Seidler hold a loan from Valad in relation to 5,000 of their directly held Securities. These loans are non-recourse and will be discharged by sale of the relevant Securities under the Scheme.

Except as stated in this section 5 of the Scheme Booklet:

- (i) there are no marketable securities of Valad held by or on behalf of Valad Directors as at the date of this Scheme Booklet;
- (ii) none of the Valad Directors holds, or has any interest in, marketable securities in either of the Bidders; and
- (iii) there has been no dealing by any Valad Director in any marketable securities of Valad or the Bidders in the four months preceding the date of this Scheme Booklet.

(b) Payments or other benefits to Directors, secretaries or executive officers of Valad

Except as set out below or otherwise disclosed in this section $5.2\colon$

- (i) no Valad Director has any other interests in a contract entered into by the Bidders;
- (ii) no payments are to be made to any director, secretary or executive officer of Valad or any of its Related Bodies Corporate as compensation for their retirement from office;
- there are no contracts or arrangements between a Valad Director and any person in connection with or conditional upon the outcome of the Scheme; and
- (iv) no Valad Director has a material interest in relation to the Scheme.

5.3 Creditors of Valad

The Scheme will not affect the rights of creditors of Valad. No new liability will be incurred by Valad other than the costs incurred in the implementation of the Scheme.

Valad has paid and is paying all its creditors within normal terms of trade. It is solvent and is trading in an ordinary commercial manner.

5.4 No unacceptable circumstances

The Valad Directors believe that the Scheme does not involve any circumstances in relation to the affairs of any member of Valad that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

5.5 ASIC relief and ASX waivers

The following types of regulatory relief have been or will be sought from ASIC and ASX in connection with the Scheme and this Scheme Booklet.

(a) ASIC relief

For Valad only:

- (i) Section 611 Item 7 relief: in relation to the Trust Scheme modification of item 7 of section 611 of the Corporations Act to facilitate voting for the Trust Scheme.
- (ii) **FSG:** relief from the obligation to provide a financial services guide under Division 2 of Part 7.7 of the Corporations Act, in relation to certain financial services in connection with the Scheme.

For both Valad and the Bidders:

(iii) **Financial Product Advice:** relief from the obligation to hold a licence to provide financial product advice under section 911A of the Corporations Act in this Scheme Booklet in relation to the Trust Scheme.

For Bidtrust:

(iv) **Unsolicited offer provisions:** In relation to the Trust Scheme, relief from the obligation to comply with Division 5A of Part 7.9 of the Corporations Act in relation to any unsolicited offer to acquire units in VPT.

ASIC has made an in-principle decision to grant this relief.

(b) ASX waivers

- (i) **Listing Rule 15.1:** Statement of no objections in relation to changes to the constitution of VPT in connection with the Trust Scheme:
- (ii) **Listing Rule 6.12.3:** Confirmation, for the purposes of Listing Rule 6.12.3, that the changes to the VPT constitution are approved, so far as they give rise to a divestment of units in VPT, on the basis that they are appropriate and equitable;
- (iii) **Timetable:** Confirmation that the timetable for implementation of the Trust Scheme is acceptable;
- (iv) **Security:** A waiver of the obligation to seek approval of the giving of security under Listing Rule 10.1 in connection with the Bidders' replacement debt facility; and
- (v) **Delisting:** Approval of delisting of Valad under Listing Rule 17.11 and the timing of delisting; and

ASX had confirmed that it has no objection in relation to the matters in (i) to (iv) above. Approval for delisting will be sought after the Implementation Date.

5.6 Material changes in financial position of Valad

There has been no material change in the financial position of Valad since reporting the half year results in respect of the period to 31 December 2010 on 23 February 2011.

5.7 Consents

The following parties have given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to be named in this Scheme Booklet in the form and context in which they are named:

- → Mallesons Stephen Jaques as legal adviser to Valad;
- → Fort Street Advisers as financial adviser to Valad;
- → KPMG as Independent Expert;
- → PricewaterhouseCoopers as tax adviser;
- \rightarrow Link Market Services Limited as Registrar;
- → Blackstone Real Estate Advisors L.P.;
- → the Bidders; and
- → Blackstone Real Estate Partners VI-VD L.P.

→ ADDITIONAL STATUTORY INFORMATION (continued)

KPMG has also given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its written consent to the inclusion of its Independent Expert's Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that Report in the form and context in which they appear.

Pricewaterhouse Coopers has also given and has not, before the time of registration of this Scheme Booklet by ASIC, withdrawn its written consent to the inclusion of its Tax Report in this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that Report in the form and context in which they appear.

The Bidders have also given and have not, before the time of registration of this Scheme Booklet by ASIC, withdrawn their written consent to the inclusion of the material in Section 4 [Information about Blackstone and the Bidders] of this Scheme Booklet in the form and context in which it is included and to all references in this Scheme Booklet to that Section in the form and context in which they appear.

5.8 Disclaimers

Each person referred to in section 5.7 of this Scheme Booklet:

- (a) does not make, or purport to make, any statement in this Scheme Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet other than as described in this section with that person's consent.

5.9 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme being information that is within the knowledge of any Director or any director of a Related Body Corporate of Valad that has not previously been disclosed to Securityholders.

5.10 Date of Scheme Booklet

This Scheme Booklet is dated 30 May 2011.

PART CADDITIONAL MATERIAL AND DOCUMENTS

→ INDEPENDENT EXPERT'S REPORT



KPMG Corporate Finance (Aust) Pty Ltd

Australian Financial Services Licence No. 246901 10 Shelley Street Sydney NSW 2000

P O Box H67 Australia Square 1213 Australia Telephone: +61 2 9335 7000 Facsimile: +61 2 9335 8021 DX: 1056 Sydney www.kpmg.com.au

The Directors
Valad Funds Management Limited
Valad Commercial Management Limited as Responsible
Entity for Valad Property Trust
Level 9, 1 Chifley Square
Sydney NSW 2000

26 May 2011

Dear Sirs

Independent expert's report & Financial services guide

1 Introduction

Valad Property Group (Valad) comprises Valad Funds Management Limited (VFML) and Valad Property Trust (VPT), the responsible entity of which is Valad Commercial Management Limited (VCML). The shares in VFML and the units in VPT are stapled together to form stapled securities (Valad security) which are held by securityholders in Valad (securityholders) and are quoted on the Australian Securities Exchange (ASX).

On 29 April 2011, Valad announced a proposal from affiliates of Blackstone Real Estate Advisers L.L.C (Blackstone) to acquire all of the issued shares in VFML by way of a scheme of arrangement under Part 5.1 of the Corporations Act, and to acquire all of the issued units in VPT by way of a trust scheme, for \$1.80 per Valad security (together the Scheme).

The directors of VFML and VCML as responsible entity of VPT (the Directors) have requested KPMG Corporate Finance (Aust) Pty Ltd (KPMG) to provide an Independent Expert's Report (IER) opining on whether the Scheme:

- is fair and reasonable to securityholders
- · is in the best interests of securityholders.

This IER has been prepared by KPMG for inclusion in the Scheme Booklet. This report should not be used for any other purposes or by any other party.

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Valad Property Group Independent expert report & Financial services guide 26 May 2011

1.1 Parties to the Scheme

Valad

Valad is a real estate investment group that is listed on the ASX. It has a portfolio of properties in Australia and New Zealand and a property funds management business in Australia and Europe. At 31 December 2010 Valad managed \$8 billion across the United Kingdom, Continental Europe, Australia and New Zealand. At the close of trade on 24 May 2011 Valad had a market capitalisation of \$204 million.

Blackstone

Blackstone is a diversified alternative asset management firm that is listed on the New York Stock Exchange. It has five business segments, being private equity, real estate, hedge fund solutions, credit businesses and financial advisory. At 31 December 2010 Blackstone had \$128 billion in assets under management (AUM). At the close of trade on 24 May 2011 Blackstone had a market capitalisation of \$7.8 billion.

The entities which are to acquire the securities in VFML and units in VPT are Acorn FM Holdings (UK) Limited, a company established in England (Bidco) which is to acquire the VFML shares, and Acorn FM Trusco Pty Limited as trustee for Acorn FM Unit Trust, an Australian unit trust (Bidtrust), (together the Bidders).

2 Requirement for our report

The Scheme is to be implemented via a court approved scheme of arrangement and a trust scheme. Whilst an IER is not required to meet statutory obligations, the Directors have requested that KPMG provide an IER advising whether, in our opinion, the Scheme as a whole is fair and reasonable (separate tests) to securityholders¹ and in the best interests of securityholders².

In undertaking our work we have had regard to the Regulatory Guides (RGs) issued by the Australian Securities and Investments Commission (ASIC). According to RG 111 the Blackstone offer is fair if it is equal to or greater than the control value of a Valad security. According to RG 111 the offer will be reasonable if it is fair but may still be reasonable if not fair where the expert believes there are sufficient reasons for securityholders to accept the offer in the absence of any higher bid.

RG 111 states that the analysis required to determine if the Scheme is in the best interests of securityholders is the same as that required to determine if the Scheme is fair and reasonable for securityholders.

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¹ Type of opinion set out in both item 7 of section 611 of the Corporations Act (the Act) and Guidance Note 15 (issued by the Takeovers Panel in relation to Trust Schemes)

² Type of opinion set out in Section 411 of the Corporations Act





3 Summary of the Scheme

Valad has entered into a Scheme Implementation Deed with the Bidders pursuant to which they will seek to acquire all Valad securities for a cash consideration of \$1.80 per security by way of a scheme of arrangement.

The Scheme is subject to the approval of securityholders and certain regulatory and other conditions being satisfied. The Scheme includes a break fee of \$2.1 million, equivalent to 1% of the offer equity value, payable by Valad or the Bidders in the event of certain breaches of the Scheme or the failure to perform obligations under the scheme implementation deed.

Valad has been notified that, in a separate transaction, Kimco has sold its interest in the Valad convertible notes to an entity affiliated with Blackstone. The transfer of the convertible notes has settled and is not conditional on the Scheme.

4 Summary of opinions

In our opinion the Scheme, on balance, in the absence of a superior proposal, is:

- not fair but reasonable to securityholders
- in the best interests of securityholders

The principal matters we have taken into consideration in forming the above opinions are summarised in the following sections.

4.1 Background and rationale for the Scheme

Valad has undergone significant change over recent years having endured significant difficulties in its operations which led to material losses and write downs in assets. During the last three years the group focussed on strengthening its balance sheet, improving profits from existing operations and winning new mandates particularly in the European Investment Management business. This has resulted in the sale of assets, the raising of new equity, the extension of debt facilities and a reduction in the operating cost base and cessation of distributions to securityholders. In addition in late 2010 Valad was subject to an unsuccessful MBO of the European funds management business with the subsequent departure of the managing director Peter Hurley. As part of its half year results Valad also announced its intentions to withdraw from the Australian funds management business and to progress with a sale of Noosa. These factors in combination with the need to refinance significant debt over the next 20 months has meant that the business continues to face a series of risks and uncertainties, that will, until resolved, continue to adversely impact on the security price.

The Scheme represents a culmination of a process where the Valad Board has considered a range of alternatives aimed at maximising value to securityholders as well as a period of discussion and negotiations with Blackstone.



4.2 Assessment of the fairness of the Scheme

In order to assess the fairness of the Scheme we have considered the market value of a security in Valad (on a control basis in accordance with RG111) to the value of the consideration offered.

Our assessment of the value of Valad is for a controlling interest which incorporates a premium for 100% control. When assessing the controlling value of Valad we have considered those synergies and benefits which would generally be available to a broad pool of hypothetical purchasers. We have not included the value of synergies and benefits that may be unique to Blackstone. Accordingly, our valuation of a security in Valad has been determined regardless of the acquirer.

Our valuation has been calculated as follows:

Table 1: Summary of equity value of Valad

| Table 1. Summary of equity value of va | Valuation | Assessed value | | |
|---|-------------------------|----------------|------------|--|
| \$ million | Methodology | Low value | High value | |
| Property portfolio | Book value as adjusted | 540.3 | 568.7 | |
| Development portfolio | Book value as adjusted | 83.1 | 87.5 | |
| Australian investment management | Book value | 65.0 | 65.0 | |
| European investment management ^{1,2} | Earnings capitalisation | 60.1 | 70.1 | |
| Less: Corporate costs | Earnings capitalisation | (96.0) | (80.0) | |
| Total Valad enterprise value | | 652.5 | 711.3 | |
| Less: Net debt | Book value | (431.5) | (431.5) | |
| Total Valad equity value | | 221.0 | 279.8 | |
| Number of securities on issue ³ | | 115.8 | 115.8 | |
| Value per Valad security | | 1.91 | 2.42 | |

Source: KPMG

Note 1: European development properties have been included under European investment management

Note 2: In valuing the European investment management business KPMG has taken net debt into account, such that the value represents an equity value as opposed to an enterprise value

Note 3: Securities on issue has been adjusted to include 0.7 million options that are in the money and will be exercised as part of the Scheme

As the market value of a security in Valad is greater than the value of the consideration offered as part of the Scheme, KPMG considers the Scheme to be not fair.

In forming our view as to market value of a security in Valad we have used a 'sum of the parts' approach whereby we have aggregated the estimated market value of Valad's business lines, to which capitalised unallocated corporate overheads and the value of the net debt is deducted to determine the equity value of Valad and the value per security.

Further details of the Valuation can be found in Section 11.





4.3 Assessment of reasonableness of the Scheme

In accordance with RG 111, an offer is reasonable if it is fair. An offer might also be reasonable if, despite being 'not fair' the expert believes that there are sufficient reasons for securityholders to accept the offer in the absence of any higher offer.

Whilst we consider the Proposal to be **not fair**, we have assessed the reasonableness of the Scheme by considering whether the advantages of the Scheme sufficiently outweigh the disadvantages together with any other factors we consider to be pertinent.

Set out in the remainder of this section is our analysis of these various matters.

4.3.1 Alternatives available to Valad

For approximately three years, Valad has experienced severe financial pressure principally as a result of excessive debt combined with a significant decline in property values. During this period Valad introduced various initiatives to preserve value such as selling assets, raising equity, extending debt facilities and reducing the operating cost base. Prior to recommending the Scheme, Valad has considered various alternatives such as:

- maintaining the status quo
- completing a recapitalisation
- divesting assets and businesses
- an orderly realisation.

With regard to each of these alternatives, we note the following:

Maintaining the status quo

• Maintaining the status quo is not an option as Valad is overgeared and will need to reduce its gearing to a more sustainable level prior to debt maturities. Also in February 2013 the conversion price and interest rate on the convertible note resets. If the convertible note has not been repaid by that date the conversion price reset will effectively allow the convertible note holder to convert the debt into securities based on a mechanism calculated on the then market price of the securities and this could result in a material dilution for all existing securityholders.

Recapitalisation

A recapitalisation would need to be of sufficient size to reduce the gearing (net debt/assets less cash) to a sustainable level. KPMG estimates that a capital raising of at least \$200 million would be required which would result in the gearing ratio at 31 December 2010 decreasing from 51% to 27%.
 Based on the market capitalisation of Valad pre the Scheme announcement (\$133 million), a capital



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raising of this size would more than double the equity on issue. In order to ensure sufficient demand for such a raising, Valad would need to offer the securities at a discount to the trading price and NTA. Set out in Appendix 5 is a listing of equity issues undertaken since January 2009. This listing confirms that the majority of recent equity raisings in the property sector have occurred at prices below the last trading prices and at large discounts to NTA. As such, a capital raising of this size would result in a material dilution to existing securityholders. Notwithstanding the dilution, such a capital raising will reduce the gearing to a more sustainable level but will not however provide sufficient capital to fund growth.

Divesting Assets and Businesses

- Any divestment of assets carries risk as to what prices will be achieved and the time that any process will take. Valad and its advisers over recent months have approached or been approached by a number of potential buyers in relation to acquiring the group, individual businesses and/or assets. These approaches were highly conditional and could not be completed in the proposed form. There has also been material interest for Valad's individual businesses and assets. A number of these have been progressing. In some cases Valad has been conducting separate formal and informal campaigns, although these processes are currently incomplete. Valad has also indicated its intention to withdraw from the funds management business in Australia.
- A consequence of divesting assets and businesses would be to simplify the business. This would leave Valad with a core set of property assets to manage and a reduced gearing. The business would need to further reduce its cost base and seek to manage the remaining properties to maximise the value to securityholders.

Orderly Realisation

- Under an orderly realisation, it is probable that securityholders will not receive a return greater than the consideration offered as part of the Scheme. In this regard we have considered the sensitivity of the value per security to a reduction in the sale value of the assets on the balance sheet at 31 December 2010. Where the sale value of the assets is 12.5% less than their book value at 31 December 2010, the value per security would be equal to the consideration offered as part of the Scheme. Based on our review of the valuations we consider that there is a significant likelihood that the total assets could sell for a discount greater than 12.5% for the following reasons:
 - the majority of the Valad property portfolio (other than Noosa) is considered secondary grade and located in regional or non-CBD locations
 - there is currently a very limited number of buyers for secondary commercial and development
 assets and this is expected to remain in the mid term as debt funding remains constrained as
 lenders are reluctant to lend to inferior assets and banks are demanding higher loan to value ratios
 (LVR)
 - there are a large number of secondary grade properties currently being offered to the market both directly and indirectly, with limited successful transactions

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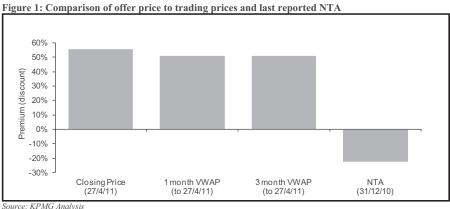




- a large proportion of the properties have income risk associated with either short average lease terms, high vacancies and tenant risk or a combination thereof
- a number of the properties are old resulting in higher capital contributions and them being less

4.3.2 The consideration represents a premium to recent trading in Valad securities

The premium of the consideration under the Scheme to recent trading in Valad securities prior to the announcement of the Scheme is set out in the figure below:



In relation to the figure above, we note:

- the trading prices exclude any premium for control
- the cash price of \$1.80 represents a premium of:
 - 56% over the closing price on 27 April 2011, being the last trading day prior to the announcement of the Scheme
 - 52% based on the one month volume weighted average price (VWAP) to 27 April 2011
 - 52% based on the three month VWAP to 27 April 2011
- these premia are superior to the average and median premia observed in our analysis of successful transactions³

Set out in the diagram below is a summary of recent transactions in the Australian Real Estate Investment Trust (A-REIT) sector with a comparison of the offer price with the last traded price and NTA.

³ Based on a 10 year analysis of Connect4 data in relation to successful bids



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Table 2: Comparison of offer prices to last traded prices and last reported NTAs

| Target | Acquirer | Date | Premium to last traded price | (Discount) to NTA |
|-------------------------------|------------------------|--------|------------------------------------|----------------------|
| ING Industrial Fund | Goodman Group | Oct-10 | 17% | (2)% |
| MacarthurCook Industrial Fund | Commonwealth REIT | Jul-10 | 42% | (32)% |
| Westpac Office Trust | Mirvac Group | Apr-10 | 12% | (5)% |
| Orchard Industrial Fund | Growthpoint Properties | Jul-09 | 7% | (47%) |

Source: KPMG Analysis, ASX announcements

In relation to the table above, we note:

- the premium of 56% to the last traded price implied by the Scheme is superior to that observed in the transactions above
- the discount of 22% to the last reported net tangible assets (NTA) at 31 December 2010 is within the range of discounts of the transactions above.

4.3.3 The price of Valad is likely to fall in the absence of an alternative offer

Following the announcement of the Scheme up until 24 May 2011, Valad securities have traded in the range of \$1.75 to \$1.77 (including intra-day trades). This range compares with the one month and three month VWAP of Valad securities prior to the announcement of the Scheme of approximately \$1.19 for both periods.

It is not possible to accurately predict the prices at which Valad securities might trade in the future in the absence of the Scheme or an alternative offer. However it is likely that the price of Valad securities on the ASX will fall below the consideration offered as part of the Scheme and revert back to levels that existed prior to the offer from Blackstone.

4.3.4 No alternative offer for Valad has emerged

The directors of Valad have advised that no alternative proposal has been received that is superior to the Blackstone offer.

Following the announcement of the Scheme, potential acquirers have had the opportunity to make competing offers for Valad. No such offer has yet been made for Valad. In this regard we note that a separate entity affiliated with Blackstone has acquired the convertible notes from Kimco for \$165 million plus any unpaid accrued interest, which equates to a \$20 million discount to the amount outstanding.

We note that approximately five weeks will elapse between the date of this report and a Valad securityholders' meeting to consider the Scheme. In the event that an alternative offer emerges within that timeframe on better terms, Valad securityholders could elect to vote against the Scheme.





4.4 Other Advantages of the Scheme

Other advantages of the Scheme include:

Uncertainties associated with future debt maturity and refinancing are resolved

Valad has significant issues around its debt maturity profile. In particular the \$185 million convertible note must either be repaid on 12 February 2013 or be subject to conversion price and interest rate resets. Any conversion at the then reset price could be highly dilutive to equity. As such Valad is seeking to reduce the outstanding balance as much as possible by this date. Further until Valad can demonstrate how it could repay the convertible note, there is increased uncertainty which is likely to impact on the decision by other lenders as whether to provide funding beyond this date.

There is also uncertainty around other facilities. In particular the Pentridge debt expired in December 2010 and arrangements have been entered into with the lender on a rolling basis, pending clarification of a longer term extension to allow for an orderly disposal of the asset. The corporate facility of \$16.6 million continues to amortise and must be fully repaid in September 2011 out of available cash reserves.

Finally, within the European funds there are a number of debt facilities requiring renewal within the short to medium term. There is the potential that uncertainties around the business may adversely affect the likelihood and/or terms of any such refinancings.

The offer from Blackstone removes such risks and their potential impact on securityholders. In this regard we note than Blackstone is now the owner of the convertible note.

Securityholders are provided with the ability to immediately realise value from their investment

The cash consideration provided by Blackstone provides securityholders with the ability to immediately realise the value of their securities at a price that reflects a significant premium to recent share market trades. This provides certainty to securityholders in relation to the pre-tax amount they will receive. In addition securityholders will not incur brokerage fees as part of the Scheme.

Transferring risks associated with delivering shareholder value to Blackstone

Following the approval of the Scheme, Blackstone will have acquired control of Valad. As a result, it will take on any risks, challenges and uncertainties associated with the ability to achieve future growth and/or deliver value to securityholders. These risks include, but are not limited to:

- the future profitability of the European funds business and/or sale value
- the ability to achieve adequate sale values for those businesses and properties subject to sale
- the ability to renew or repay debt



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- the ability where necessary to raise capital that is not highly dilutive to existing securityholders
- the timing and quantum of any future distributions.

4.5 Other Disadvantages of the Scheme

Securityholders' will forgo any future appreciation in the value of a security

Whilst there is no certainty that Valad's existing property portfolio and property funds management business will appreciate in the future, Valad securityholders will no longer benefit from any future capital growth or distributions from Valad. Conversely they will not be subject to the risks associated with future performance. In addition securityholders wishing to maintain a similar portfolio risk profile for their investment may need to seek an alternate investment in the sector in which Valad operates and, in doing so, may find it difficult to find an investment with a similar risk profile to that of Valad. In addition they will incur transaction costs in completing any new investment.

4.6 Other Considerations

The principal other considerations of the Proposal include:

Tax consequences

Approval of the Scheme may result in tax consequences for securityholders. Whilst tax implications will vary depending on the circumstances of each securityholders, acceptance of the Scheme may result in a tax event occurring, potentially crystallising these tax consequences including capital gains.

For details of tax consequences of accepting the Scheme you should refer to the Scheme Booklet.

Transaction costs

The costs of the Scheme include stamp duty, advisory costs, legal fees, independent expert fees and other costs. If the Scheme is approved, the costs to Valad will total approximately \$6.6 million (excluding GST).

4.7 Implications if the Scheme is not approved

In the event the Scheme is not approved, the following circumstances are likely to occur:

- Valad will resume the current strategic options being undertaken in relation to the sale of Noosa,
 Pentridge and the European Funds Management business. In relation to the V Plus Australia fund,
 advisers have been appointed to undertake a review of the fund. This process will continue and as
 part of this Valad will consider its position with regards to its co-investment in the V Plus Australia
 fund and in One Alfred Street
- Valad will need to continue to reduce its gearing. This will include seeking to maximise repayment of
 the convertible note by February 2013 and the corporate facility which must be fully repaid or

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refinanced in September 2011⁴. Distributions are unlikely as any profits will be retained to repay debt and reduce gearing

- The Valad security price will likely decline to the levels at which it was trading prior to the
 announcement of the Scheme. Since the announcement of the Scheme, Valad securities have traded
 above \$1.155, the last trading price prior to the announcement of the Scheme
- Valad will incur \$2.3 million (excluding GST) of third party costs of the \$6.6 million (excluding GST) that will be incurred if the Scheme is approved. These costs include advisory costs, legal fees, independent expert fees and other costs.

4.8 Conclusion

In summary, we consider the offer to be reasonable to securityholders, primarily as:

- In the short to medium term alternatives, which have an element of risk, are unlikely to result in securityholders realising a value greater than the offer price of \$1.80
- The Scheme represents a premium of over 50% to the trading price, which exceeds the average premium in other transactions and that recently achieved in other property transactions
- The Directors have advised that no alternative proposal has been received that is superior to the Blackstone offer
- The Scheme provides certainty to securityholders.

As such it is our opinion that the Scheme is not fair but reasonable to securityholders of Valad.

5 Best interests

We have formed the opinion that the Scheme is not fair but reasonable and we are of the opinion that the Scheme is also **in the best interests** of securityholders in Valad, in the absence of a superior proposal. This is consistent with RG 111.21 which states that where an expert has concluded that a proposal is 'not fair but reasonable' it is open to the expert to conclude that the Scheme is in the best interests of the members of the company.

6 Other matters

In forming our opinion, we have considered the interests of securityholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual securityholders. It is not practical or possible to assess the implications of the Scheme on individual securityholders as their financial circumstances are not known. The decision of securityholders whether to approve the Scheme or not is a matter for individuals based on, amongst other things, their risk profile, liquidity preference,

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⁴ In relation to the refinancing term sheets have been signed to extend this facility to December 2012



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investment strategy and tax position. Individual securityholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the proposed resolutions may be influenced by his or her particular circumstances, we recommend that individual securityholders including residents of foreign jurisdictions seek their own independent professional advice.

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

All currency amounts in this report are denominated in Australian dollars unless otherwise stated and may be subject to rounding.

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

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

Yours faithfully

Ian Jedlin

Executive Director

Shaun Bettman Director

→ INDEPENDENT EXPERT'S REPORT (continued)



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Financial services guide

Dated 26 May 2011

KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (KPMG or we or us or our as appropriate) has been engaged to provide an Independent Experts Report (Report) in relation to a proposal from affiliates of Blackstone Real Estate Partners VI-VD L.P (Blackstone) to acquire all the securities in Valad Property Group (the Scheme) for inclusion in the Scheme Booklet (Document) prepared by Valad Property Group (Company).

Purpose of this Guide

This Guide is designed to help retail clients to decide how to use our Report. It includes information about:

- who we are and how we can be contacted
- the services we are authorised to provide under our licence
- how we and our staff are paid
- any relevant associations or relationships we have
- how complaints are dealt with; and
- the compensation arrangements we have in place.

The Document contains information about significant benefits, risks, fees and other charges and other information about the Scheme.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- Interests in managed investments schemes (excluding investor directed portfolio services)
- Securities (such as shares and debentures).

Our responsibility to you

We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. You have not engaged us directly but have received a copy of the Report because of your connection to the Scheme.

We are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in our Report.

General Advice

Our Report only contains general advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in our Report having regard to your circumstances before you act on our Report.

You should also consider the other parts of the Document before making any decision in relation to the Scheme.

Fees we may receive

We charge fees for preparing reports. These fees will usually be agreed with, and paid by, the financial product issuer. Fees are agreed on either a fixed fee or a time cost basis. In this instance, Valad Property Group has agreed to pay us \$350,000 (excluding out-of-pocket expenses and GST) for preparing the Report.

KPMG and its officers, employees, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.



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Associations and relationships

Through a variety of corporate and trust structures KPMG is controlled by and operates as part of KPMG's Australian professional advisory and accounting practice (the **KPMG Partnership**). Our directors may be partners in the KPMG Partnership.

From time to time KPMG, the KPMG Partnership and related entities (**KPMG entities**) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No KPMG entity, and no individual involved in the preparation of the Report, has any interest in the Company or Bidder or any other interested party to the Scheme.

Remuneration or other benefits received by our representatives

KPMG officers, employees and representatives receive a salary or a partnership distribution from the KPMG Partnership. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let us know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 5

days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise you in writing of our response to your complaint.

External complaints resolution process

If we cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (**FOS**) of which we are a member. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited,

GPO Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au.

The Australian Securities and Investment Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG has professional indemnity insurance cover as required by the Corporations Act.

Contact Details

You may contact us using the contact details set out at the top of the letterhead on page 1.





7 The Scheme

On 29 April 2011, Valad announced that it has entered into a Scheme Implementation Deed with the Bidders pursuant to which they will seek to acquire all Valad securities for a cash consideration of \$1.80 per security. The Bidders will seek to acquire all of the issued shares in VFML by way of a scheme of arrangement under Part 5.1 of the Corporations act and all the units in VPT by way of a Trust Scheme.

The cash consideration will be split between a share in VFML and a unit in VPT as follows:

- \$0.01 for the VFML Share component (Scheme Share Consideration)
- \$1.79 for the VPT Unit component (Scheme Unit Consideration).

The Scheme is subject to the approval of securityholders and certain regulatory and other conditions being satisfied. Valad is subject to customary exclusivity arrangements. The Scheme is to be implemented via a court approved Scheme of Arrangement and Trust Scheme.

The Scheme contains a number of provisions in relation to non-solicitation of competing proposals, break fees and liability for breaches of the Scheme. These provisions include a break fee of \$2.1 million, equivalent to 1% of the offer equity value, payable by Valad or Blackstone in the event of certain breaches of the Scheme or the failure to perform obligations under the Scheme.

Key conditions of the Scheme include:

- no material adverse change in the Valad business
- no material breach of the Scheme
- unanimous recommendation by Directors
- securityholder approval.

The Scheme also has implications for current disposal processes in that they effectively require the consent of Blackstone, other than for the sale of Pentridge.

Valad has been notified that, in a separate transaction, Kimco has sold its interest in the Valad convertible notes to an entity affiliated with Blackstone. The transfer of the convertible notes has settled and is not conditional on the Scheme.



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8 Scope of Report

8.1 Purpose

The Scheme is be implemented via a court approved Scheme of Arrangement and a Trust Scheme. Whilst an IER is not required to meet statutory obligations, the Directors have requested that KPMG provide an IER advising whether, in our opinion, the Scheme as a whole is fair and reasonable (separate tests) to securityholders⁵ and in the best interests of securityholders⁶.

8.1.1 Guidance

In undertaking the work associated with the IER, we have had primary regard to Regulatory Guide (RG) 111 issued by Australian Securities and Investments Commission (ASIC) in relation to the content of the expert's report and RG112 in respect of the independence of experts. RG 111 "Content of expert reports" indicates the principles and matters which it expects a person preparing an IER to consider. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is "fair and reasonable" (separate tests) and, as such, incorporates issues as to value.

Should the Scheme be considered not fair, it may still be reasonable if, despite not being fair, other significant factors including the alternatives available to Valad are sufficient to indicate the offer should be accepted in the absence of any higher bid.

8.1.2 Fairness and Reasonableness

Fairness

RG 111 defines an offer as fair when the value of the consideration is equal to or greater than the value of the securities subject to the offer. The comparison should be made:

- assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- without considering the percentage holding of the 'bidder' or its associates in the target
- by assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

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⁵ The 'fair and reasonable opinion' is required under item 7 of section 611 of the Corporations Act and guidance note 15 issued by the Takeovers Panel in relation to Trust Schemes

⁶ The 'best interests opinion' is required under Section 411 of the Corporations Act

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Accordingly, KPMG has assessed whether the Scheme is fair by estimating the market value of a Valad security (on a control basis) and comparing this value with the value of the consideration offered.

Further, RG111.11 also states that any 'special value' which is the additional value (over and above market value) that particular acquirers may be prepared to pay for a business who can achieve unique synergies or other benefits not generally available to other market participants should be excluded.

In assessing fairness, KPMG has assumed an orderly market for the underlying assets of the security and has not considered any entity specific factors (such as a high level of gearing) in determining the market value of a Valad security. However these factors have been considered in assessing the reasonableness of the Scheme.

Reasonableness

According to RG 111 (in respect of control transactions), an offer is reasonable if it is fair. However an offer can also be reasonable even if it is not fair if the expert believes that there are sufficient reasons for securityholders to accept offer in the absence of any higher bid before the close of the offer. To assess the reasonableness of the Scheme KPMG has considered the following factors:

- the current issues facing Valad
- alternative options available to Valad
- advantages, disadvantages and other considerations of the Scheme
- implications if the Scheme is not approved.

8.1.3 Best interests

RG 111.18 indicates that the analysis required as to whether the Scheme is in the best interests of securityholders is the same as that required to determine if the Scheme is fair and reasonable. As such, we have relied upon the analysis described above to form an opinion as to whether the Scheme is in the best interest of securityholders.

8.2 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 7 of this report. Nothing in this report should be taken to imply that KPMG has in any way carried out an audit of the books of account or other records of Valad for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with the Valad's management and Directors in relation to the nature of Valad's business operations, its specific risks and opportunities, its historical results and its prospects for the foreseeable future. This type of



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information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation. It is our view that all material information that we have relied on in forming our opinion is reasonable.

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

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company may undertake. The Directors together with the legal and financial advisers, are responsible for conducting due diligence in relation to the Scheme. KPMG provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

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

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9 Profile of Valad Property Group

Figure 2: Overview of Valad business lines

9.1 Overview

Valad is a real estate investment group structured as a stapled security, comprising of a share in Valad Funds Management Limited (VFML) and a unit in Valad Property Trust (VPT), with the Responsible Entity of VPT being Valad Commercial Management Limited (VCML). At close of trade on 27 April 2011, the last trading day before the announcement of the Blackstone Offer, Valad had a market capitalisation of \$132.9 million. Set out in the diagram below is an overview of Valad's four business lines.





Source: Results presentation for the half year ended 31 December 2010

Note 1: Book value at 31 December 2010 Note 2: As at 31 December 2010

In relation to the diagram above, we note:

- Property portfolio: Valad owns 27 properties with a book value of \$569 million at 31 December 2010. The properties are split between the office, industrial, bulky goods, hotel and residential sectors with the majority of properties (by value) being in New South Wales and Queensland
- Development portfolio: Valad has 9 development properties with a book value of \$90 million at 31
 December 2010. The three largest developments represent 77% of the book value at 31 December 2010
- Australian investment management: Business comprises of a funds management business and coinvestments. The funds management business has seven mandates with total AUM at 31 December



2010 of \$768 million. Valad has direct co-investments in these funds with a total value of \$65 million at 31 December 2010. Valad's investment in the V Plus Australia fund represents 95% of the coinvestment book value

European investment management: Business comprises of a funds management business and coinvestments. The funds management business has 14 mandates with total AUM of \$6.4 billion at 31 December 2010. Valad has direct co-investments in seven of these funds with a book value of \$25 million at 31 December 2010. In addition, Valad has a 50% interest in a joint venture (JV) with Uberior Europe Limited (a subsidiary of Lloyds Banking Group) which has a portfolio of approximately 120 properties (including V+ Germany) with a total asset value of \$1.5 billion at 31 December 2010. The JV's total liabilities exceed total assets.

The majority of Valad's revenue and EBITDA is generated from its property portfolio (rentals) and its funds management businesses (management fees). The diagram below illustrates the proportion of revenue and EBITDA contributed by each business for the half year ended 31 December 2010.

Figure 3: Revenue split by business

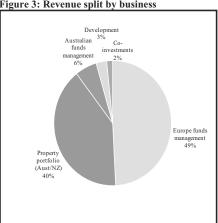
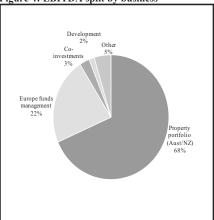


Figure 4: EBITDA split by business



Source: Results presentation for the half year ended 31 December 2010 90% of the co-investment revenue is derived from Australia

9.2 Background

In 2002 Valad listed on the ASX as a property group comprising of a passive investment trust and a company with core activities being property acquisition, trading and development, with property funds management. The Securities in Valad were issued at \$1.00 per stapled security, with the funds used to acquire three commercial properties and the funds management business.





Post listing, Valad significantly expanded the business by acquiring properties and funds management businesses in Australia. In November 2005 Valad established Valad Capital Services (VCS), an equity and debt funding vehicle for third parties.

In February 2007, Valad first entered the European market with a \$294 million investment (through VCS) in the \$1.26 billion Crownstone European Properties Limited portfolio. Then in June 2007, Valad acquired Scarborough, a United Kingdom and European based property group with operations in property ownership, property development and funds management with \$10.2 billion of AUM and with an enterprise value of \$2.0 billion.

In late 2007 the global financial crisis (GFC) commenced and this resulted in credit markets drying up, property values decreasing and therefore triggering loan value ratio (LVR) covenants and interest margins increasing. At this time many property companies struggled to refinance existing debt and were forced into either raising capital at large discounts to NTA or selling assets to reduce gearing. Valad implemented a number of initiatives to reduce the gearing of the business, including a capital raisings, restructuring of debt facilities, asset sales and a restructuring of the European business through the formation of a Diversified UK and European (DUKE) joint venture with the Bank of Scotland plc in July 2009 and cut costs significantly. Valad retained 100% ownership of its European funds management business, while the property assets and related debt were transferred to the DUKE joint venture (the value of the debt exceeded the value of the properties).

In October 2009 Valad completed a \$64 million equity raising with the net proceeds used to pay a deferred liability for Scarborough.

In November 2010, Valad completed a 1 for 20 security consolidation, reducing the number of securities on issue from 2.3 billion to 115.1 million. In December 2010, Valad announced that it had received an indicative and incomplete proposal for the acquisition of its European business (Valad (Europe) plc) by a consortium of senior personnel from Valad. In March 2011 the management buy-out proposal was withdrawn and discussions ceased.

In February 2011 Valad announced its intention to exit its Australian funds management business and also announced that the VCS business had no further commitments and will wind down all remaining positions.

In April 2011 Valad announced the resignation of the Managing Director (Mr Peter Hurley). Separately it announced the termination of its investment management mandate with Kefren of Sweden as a result of Kefren's bankruptcy. Kefren had \$726 million of AUM at 31 December 2010, representing 11% of the AUM in Europe.

On 29 April 2011 Valad announced that it entered into a Scheme Implementation Deed with affiliates of Blackstone to acquire 100% of the securities in Valad for a cash consideration of \$1.80 per security, implying an equity value of \$207 million.



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9.3 Overview of property portfolio

At 31 December 2010, Valad's property portfolio comprised of 27 properties. Set out in the table below is a summary of the properties by sector.

Table 3: Valad portfolio at 31 December 2010

| Country | No. of | Book value | % of | Cap | WALE ¹ | Occupancy |
|------------------------|------------|------------|-----------|----------|-------------------|-----------|
| Property sector | Properties | (\$m) | Portfolio | Rate (%) | (years) | (%) |
| Australia | | | | | | |
| Office | 4 | 152.2 | 26.8% | 8.1 | 3.0 | 91.9 |
| Industrial | 10 | 108.3 | 19.0% | 9.2 | 4.2 | 98.7 |
| Bulky goods | 5 | 135.8 | 23.9% | 8.6 | 5.3 | 93.0 |
| Hotel (Sheraton Noosa) | 1 | 85.8 | 15.1% | n/a | n/a | n/a |
| Other | 2 | 17.1 | 3.0% | n/a | n/a | n/a |
| Total Australia | 22 | 499.2 | 87.8% | 8.6 | 4.2 | 93.6 |
| New Zealand | | | | | | |
| Office | 1 | 20.8 | 3.7% | 9.2 | 4.2 | 97.4 |
| Industrial | 4 | 48.6 | 8.5% | 9.4 | 5.7 | 100.0 |
| Total New Zealand | 5 | 69.5 | 12.2% | 9.3 | 5.2 | 99.7 |
| Total | 27 | 568.7 | 100.0% | 8.7 | 4.4 | 96.6 |

Source: Results presentation for the half year ended 31 December 2010 Note 1: Weighted average lease expiry

In relation to the table above, we note that:

- 24 out of the 27, or 82% (by book value) of the properties were valued by external property valuers
- in February 2011, Valad announced its intention to sell its one hotel, the Sheraton Noosa Spa and Resort
- the value of Valad's property portfolio increased by 2.4% in the six months ended 31 December 2010, or 2.8% in the 12 months ended 31 December 2010 (excluding the impact of assets sold).

Set out below is a summary of the characteristics of Valad's property portfolio. A detailed summary of the Valad property portfolio is provided in Appendix 2.

9.3.1 Lease expiry

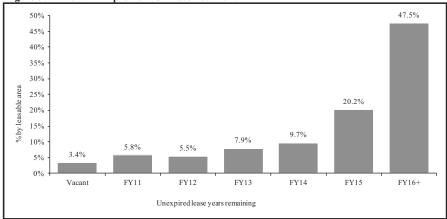
Set out in the diagram below is the weighted average lease expiry (WALE) of the property portfolio (based on area) at 31 December 2010.

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Source: Valad

At 31 December 2010 the property portfolio had a WALE of 4.4 years. The figure above illustrates that in any one year over the next four years Valad is limited to less than 10% of the leasable area expiring, with the WALE of the largest two properties (excluding the Sheraton Noosa property) being 4.2 years (\$62 million, St Leonards Sydney) and 2.6 years (\$60 million, Riverside North Ryde).

9.3.2 Vacancy rates

At 31 December 2010 the property portfolio had a 96.6% occupancy, up 1.1% from 30 June 2010, and up 4.2% from 31 December 2009, which is the highest it has been in the last five years. The bulky goods sector was one of the hardest hit sectors during the GFC with occupancy levels declining substantially. However in the 12 months ended 31 December 2010 the bulky goods occupancy levels have recovered, increasing from 85.9% to 93.0%.

9.3.3 Sector and geographical split

Approximately 82% of the property portfolio is comprised of office, industrial and bulky goods assets, predominantly located in New South Wales and Queensland.

The following figures illustrate the sector and geographical split of the property portfolio (by value) at 31 December 2010.



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Figure 6: Property value by sector

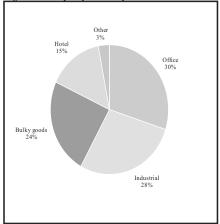
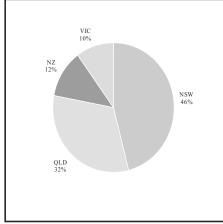


Figure 7: Property value by geography



Source: Results presentation for the half year ended 31 December 2010

9.3.4 Tenant profile

Approximately 51.7% of rental income is currently received from the top ten tenants, including Carter Holt Harvey (20.6% of rental income), Bunning's (7.3% of rental income) and Honeywell (4.7% of rental income). Post 31 December 2010, Carter Holt Harvey sold its packaging business to Amcor/Colorpak reducing Valad's exposure to Carter Holt Harvey from 20.6% to 10.4% (Colorpak 5.2% and Amcor 5.1%).

9.4 Property development

Valad's property development business predominantly comprises of two assets, an interest in One Alfred Street Sydney and Pentridge Melbourne, with these two assets representing approximately 65% of the property development book value at 31 December 2010. Set out in the table below is a summary of the development properties at 31 December 2010.

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Table 4: Valad's development properties at 31 December 2010

| Development assets | Valad | Book | Debt | Implied | % of book |
|-------------------------------------|-------------|-------------|--------|--------------|-----------|
| | % ownership | value (\$m) | (\$m) | Equity (\$m) | value |
| Australia / New Zealand | | | | | |
| One Alfred Street, Sydney, NSW (JV) | 21% | 28.6 | - | 28.6 | 31.9% |
| Pentridge Coburg, VIC | 100% | 29.0^{2} | (26.0) | 3.0 | 32.4% |
| Erskine Park, NSW ¹ | 100% | 11.5 | (4.9) | 6.6 | 12.8% |
| Marsden Point, NZ ¹ | 100% | 10.1 | (4.3) | 5.8 | 11.3% |
| Corrimal, NSW | 100% | 6.3 | - | 6.3 | 7.0% |
| Heritage Floor Space | 100% | 2.0 | - | 2.0 | 2.2% |
| Total Australia / New Zealand | | 87.5 | (35.3) | 52.3 | 97.7% |
| Europe | | | | | |
| Oxford Road, Reading | 100% | 0.7 | - | 0.7 | 0.8% |
| Watford | 100% | 1.4 | - | 1.4 | 1.6% |
| Total Europe | | 2.1 | - | 2.1 | 2.3% |
| Total development assets | | 89.6 | (35.3) | 54.4 | 100.0% |

In relation to the table above, we note:

One Alfred Street:

- was acquired 100% by Valad and then subsequently sold to the V Plus Australia fund (39%) and the Dutch pension fund, APG (40%), with Valad retaining a 21% direct interest in the joint venture. Valad has an 18% interest in the V Plus Australia fund so its total exposure is to 28% of the joint venture
- this development property is located at Circular Quay, Sydney and was formerly known as "Goldfields House". The property is currently a commercial building and there is a proposal to develop it into high end residential units. Since acquiring the property, Valad has obtained a Stage one Development Approval (DA) for 36,400 square metres (sqm) of GFA and lodged a stage two DA application in December 2010. The stage two application is, amongst other things, to increase the floor space ratio (FSR) to 15.4 to 1 (from 14 to 1) and to secure a two tower scheme with an increased height limit from 110 metres to 185 metres. This application cannot be approved until a Local Area Plan (LEP) is gazetted, which occurred on 6 May 2011. The construction costs of this project are estimated to be between \$340 million and \$370 million
- the development property was originally acquired in August 2006 for \$274 million and was valued by an external valuer at 31 December 2010 at \$290 million

Source: Results presentation for the half year ended 31 December 2010

Note 1: Assets are part of security pool assets for Australia / New Zealand corporate debt facility. Debt amount shown is therefore a portion of the Australia/New Zealand corporate facility debt balance at 31 December 2010

Note 2: Includes allowance for costs that are expected to be incurred in holding the asset through to expected disposal



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Pentridge:

- this development is a major long term urban community residential and retail/commercial development project located 8.5 kilometres from Melbourne CBD. The Masterplan was approved in December 2009, with the next two stages of the project having DA approval. The next stage is called AIR, and the 290 apartments have received strong support in the marketplace with 77% pre-sold. The total cost of developing the Masterplan is estimated to be approximately \$560 million
- the development property was originally acquired in June 2007 for \$42.5 million and was valued by an external valuer at 31 December 2010 at \$44.5 million
- Valad's interest is funded by a non-recourse asset-level loan which is due to expire in December 2010. Valad has entered into arrangements with the lender on a rolling basis pending clarification of a longer term extension to allow for an orderly disposal of the asset
- based on a valuation of \$44.5 million at 31 December 2010, Valad's equity in this development would be \$18.5 million, but Valad decided to write this down to zero because of the uncertainty surrounding the financing of the development
- Erskine Park and Marsden Point are vacant blocks as summarised below:
 - Erskine Park: This development property is an industrial estate comprising of 63,900 sqm of developable land. This would cost around \$1.28 million to complete. No other development costs apply
 - Marsden Point: This development is an industrial site of 55 hectares adjoining the Northland Port
 Corporation and zoned for heavy industry. The precinct is serviced by a deep water Cargo
 Terminal and Port berthing facilities. The site is a future Masterplan site with no estimate of
 development costs at this point.
- Valad wrote down \$36.6 million of development assets at 31 December 2010, with Pentridge comprising 70% (\$25.8 million) of this write down and One Alfred Street 18% (\$6.5 million).

9.5 Australian investment management

The Australian investment management business comprises property funds management business which has six mandates, one JV mandate and co-investments in these mandates, as set out in the table below.



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Table 5: Australian investment management business

| Funds / Mandates | AUM | Expiry | Sector | | Valad direct |
|--------------------------------|--------------------|--------|-------------|---------------|--------------|
| | (\$m) ¹ | Date | | Ownership (%) | investment |
| V Plus Australia | 577 | 2017 | Diversified | 18% | \$62m |
| ICA funds (3,4 & 5) | 57 | 2012 | Development | 10% | \$1m |
| VOF funds (11 & 12) | 19 | 2012 | Development | 25% | \$3m |
| One Alfred Street ² | 116 | 2015 | Office | - | _3 |
| Total | 768 | • | | • | \$65m |

Source: Results presentation for the half year ended 31 December 2010

Note 1: At 31 December 2010

Note 2: \$116 million represents APG's 40% interest in the One Alfred Street property value of \$290 million

Note 3: Valad's interest in the One Alfred Street joint venture is included under development properties

In relation to the Australian funds management business, we note:

- at 31 December 2010 the business had seven management mandates with the V Plus Australia fund and One Alfred Street JV mandates representing 90% of AUM
- the V Plus Australia fund had \$577 million of gross property assets at 31 December 2010. The fund had 12 investments of which its 39% investment in the One Alfred Street JV was the largest (representing 20% of the gross asset value (GAV)). In February 2011 Valad announced its intention to exit the investment management business and realise its co-investment stake in the V Plus Australia fund. KPMG is also of the understanding that the current investors in the V Plus Australia fund are considering replacing Valad as the manager but no decision has been made
- the ICA and VOF funds are currently in wind-up phase with the completion of the sale of the remaining assets of VOF12 and ICA Funds 3,4 and 5 due to be complete by 31 March 2012 with the final distribution and fund wind up to occur immediately after. The completion of the sale of the remaining VOF11 asset is expected to occur by 31 December 2012 with the fund wind up to follow immediately after. These funds contributed to approximately 7.5% of the management fee earned by the Australian business in the six months ended 31 December 2010. This will reduce as the assets are sold
- the structure of the four series of funds listed above (which is VPlus, ICA, VOF, OAS JV) is such
 that investors currently have no redemption rights, with investors committed for the life of the fund in
 which they have invested other than V Plus Australia fund which has a redemption window in March
 2014 which enables some liquidity prior to the official vote to extend or wind up the fund in March
 2017.

In relation to the co-investments, we note:

Valad's investment in the V Plus Australia fund represents 95% of the book value of Australian coinvestments at 31 December 2010. As noted above, the V Plus Australia fund had a number of
investments which were valued by external valuers at different dates, from June 2010 to April 2011.
 Valad's interest represents its percentage of the net equity value at 31 December 2010.



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9.6 European investment management

The European investment management business comprises property funds management, co-investments and a 50% interest in the DUKE joint venture. Set out in the diagram below is the corporate structure of the European business.

Valad Capital Limited
(VCL)

Valad Capital Limited
(VCL)

Solve

Valad (Europe) ple
European Fund Manager

Sale arrangements

DUKE
Joint Venture

Source: Valad management

In relation to the diagram above, we note:

- Valad is the ultimate owner of all the shares in Valad Capital Limited (VCL)
- VCL has a wholly owned subsidiary (Valad (Europe) plc) and a 50% interest in the DUKE joint venture
- Valad (Europe) plc owns the European funds management business and co-investments
- The DUKE joint venture is owned equally by VCL and Uberior Europe Limited (a subsidiary of Lloyds Banking Group)
- There are provisions in the joint venture that restrict VCLs ability to receive the proceeds of any sale of the shares or businesses in Valad (Europe) plc (refer Section 9.6.2).
- VCL has an obligation to contribute an additional €10 million to DUKE
- Lloyds Banking Group has provided debt to Valad (Europe) plc, DUKE and a number of funds managed by the European funds management business.

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9.6.1 Funds management business

Valad's European funds management business is a multi-fund and multi-market business, with AUM of \$6.4 billion in 14 funds/mandates at 31 December 2010. Set out in the table below is a summary of the investment management mandates and co-investments at 31 December 2010.

Table 6: European investment management business

| Funds / Mandates | AUM | Expiry | Country | Valad direct | |
|-----------------------------------|--------------------|------------|--------------------------|--------------|------------|
| | (\$m) ¹ | Date | Sector | Ownership | Investment |
| V+ (Value-Add) Funds | | | | | |
| V+ UK (Osprey) | 290 | 2017 | UK, Diversified | 11% | \$7m |
| V+ Nordic (Aktiv 1) | 804 | 2017 | Nordic, Diversified | 1% | \$1m |
| V+ Nordic 2 (Aktiv 2) | 232 | 2018 | Nordic, Diversified | - | - |
| V+ Germany (Aktiv) | 880 | 2018 | Germany, Diversified | - | - |
| Advantage Property | 156 | 2014^{2} | UK, Diversified | 1% | \$1m |
| Vi (Industrial) Funds | | | | | |
| Parc D'Activités | 106 | 2019 | France, Industrial | 5% | \$3m |
| European Industrial Partnership | 524 | 2013 | Pan-Europe, Industrial | - | - |
| European High Income | 979 | 2013^{3} | Pan-Europe, Industrial | 2% | \$9m |
| Central European Industrial | 365 | 2016 | Cen-Europe, Industrial | 2% | \$3m |
| The Industrial Trust ⁴ | 402 | 2026 | UK, Industrial | - | - |
| REIM Mandates | | | | | |
| DUKE (incl VOF UK) | 589 | 2012 | Pan-Europe, Diversified | 50% | - |
| ECREL (Kenmore) ⁵ | 255 | 2013 | Pan-Europe, Diversified | - | - |
| Kefren Properties | 726 | 2011^{6} | Nordics, Diversified | - | - |
| Other Funds/Mandates | | | | · | |
| University Capital Trust | 126 | 2014 | UK, Student Accomodation | 1% | \$1m |
| Other | | | | | |
| Total | 6,433 | | | | \$25m |

Source: Results presentation for the half year ended 31 December 2010

In relation to the funds management business, we note:

on 18 April 2011 Valad announced a termination notice was received in respect of its investment management mandate with Kefren

Note 1: Represents the value of property assets managed at 23 February 2011

Note 2: Valad is the asset manager for this fund and not the fund manager, and while it has a 3 year contract, this could potentially be shorter term, if six month termination noticed exercised by either party

Note 3: Fund expiry date is May 2011 with a 2 year asset sell down period assumed. Initial extension agreed from May 2011 to

September 2011, and may be extended to September 2015. 2015 extension is dependent on successful refinance of debt and equity arrangements

Note 4: A unit holder option to terminate the Trust arises every 5 years; next vote due June 2011

Note 5: ECREL is subject to successful refinancing

Note 6: Expiry was 2015 prior to the Kefren bankruptcy



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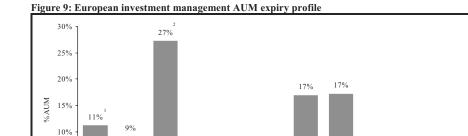
- the Industrial Trust has a unit holder option to terminate the Trust every 5 years, with the next vote due June 2011. Management's view is that unitholders may approve a short term renewal
- REIM Mandates: Kefren (11% of AUM), along with the DUKE (9% of AUM) and ECREL (4% of AUM) are 'bank work-out' mandates, where banks appoint a fund / asset manager on their behalf to manage the assets with the aim of accelerated debt payment from asset proceeds. By their nature, these mandates are short term. In addition, the DUKE joint venture owns approximately 81% of V+Germany. As such, the current DUKE work out mandate may result in a similar strategy being undertaken for the V+Germany fund
- funds are longer term, however have roll-over risk
- the properties in the European business are dominated by non-prime, multi let assets occupied by small to medium enterprises with a short lease expiry. The properties are located across the UK and Continental Europe, with these markets experiencing weak tenant demand (with the exception of Germany and Central Europe). Investors and lenders in general are targeting prime grade property, with little interest in non-prime properties. In order to improve debt refinancing success at debt expiry, these funds are selling assets and repaying debt to decrease loan balances and gearing
- the average revenue to AUM of the business is around 80 basis points, with EBITDA to AUM
 averaging around 20 basis points over the last 18 months, equating to an EBITDA margin of 20% to
 25%
- the business secured a small single asset mandate of €45 million post December 2010
- the graph below illustrates the AUM expiry profile for the various mandates in place.

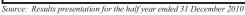
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6%





Note 1: Included in 2011 is the \$726 million Kefren mandate (11% AUM) which recently advised termination on 18 April 2011 due

6%

to Kefren bankruptcy Note 2: Includes ECREL

5%

Note 3: This incorporates the Industrial Trust, which has a unit holder option to terminate the Trust every 5 years. Next vote due June 2011 in which management believe unitholders may approve a short term renewal

In terms of ease of termination, funds are generally more difficult to terminate than mandates given they require investors to vote at the end of the life of the fund (or where option is available) which delays the process compared to mandates.

In relation to the co-investments, we note that Valad's co-investment in the V+ UK fund and European High Income fund represented 65% of the total co-investment book value at 31 December 2010.

9.6.2 DUKE joint venture

Background

DUKE was established at 30 June 2009 as a result of the GFC from late 2007, when Valad's direct property investments in Europe experienced substantial devaluations. Many of the assets were highly geared and thus required renegotiations with financiers. As a result, Valad entered into a JV with Uberior Europe Limited (a subsidiary of Lloyds Banking Group) in July 2009 and established the DUKE JV, which had an initial term of three years. The value of the European assets and related debt were transferred to the joint venture, limiting Valad's exposure to any further devaluation of those assets, however retaining some benefit from any recovery.

Valad contributed the majority of its European and UK property assets, net equity in joint ventures and investments and all associated liabilities held as at 31 December 2008. In addition, Valad contributed €10 million and was obligated to contribute a further €15 million in cash to the DUKE joint venture over three



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years. At the date of this report, Valad has the obligation to contribute a further \in 10 million to DUKE, \in 5 million of this being due in June 2011, with the remaining \in 5 million due next year.

Valad (Europe) plc entered into an agreement to provide various asset management and other services to the DUKE joint venture.

BoS provided new undrawn debt facilities of £66 million. The term of the facilities was two years, with a one year extension at the election of DUKE (such that the original two year facility expires in June 2011). The weighted average margin across the DUKE joint venture debt is 134 basis points with a fee of £25 million payable by Duke at the termination of the facility.

DUKE had assets with a value of £1 billion, however a negative equity value of around £140 million.

The majority of DUKE's portfolio allocation (including interests in V+ Germany) is in Germany and the UK, in the office and industrial sectors, as illustrated in the diagrams below.

Figure 10: Portfolio by region based on value

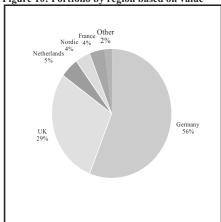
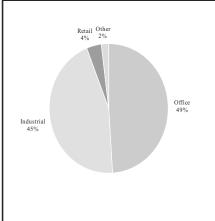


Figure 11: Portfolio by sector based on value



Source: Valad management

Sale provisions

The DUKE joint venture has special provisions relating to the use of proceeds from the sale of the shares in Valad (Europe) plc or its business. A sale of the shares or business prior to June 2012 (the initial three year term) would require the sales proceeds to be paid to DUKE, while a sale of the shares or business post June 2012 results in a grading scale of the use of proceeds, which are:

 if all loans to DUKE from Lloyds have been repaid in full (sale, refinance, etc), Valad retains 100% of the proceeds from the disposal

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- · if any debt is still provided by Lloyds, and:
 - the LVR \geq 95%, the proceeds from the disposal must be paid to DUKE
 - the LVR < 95% but \ge 85%, 50% of the proceeds from the disposal must be paid to DUKE
 - the LVR < 85%, Valad can retain 100% of the proceeds from the disposal.

At 31 December 2010 DUKE had an LVR of >100%.

Where an insolvency event occurs in relation to DUKE, Valad may elect to terminate the obligations by paying to DUKE an amount equal to the market value of Valad Europe (as determined by a third party), at which time the sale provisions would cease to apply.

9.6.3 Management buy-out proposal

On 16 December 2010 Valad announced it received a management buy-out proposal (MBO) for the European business, which included Valad's interest in the DUKE joint venture. Gross consideration for the European business was approximately £52 million (with the carrying value of the assets at December 2010 being £56.5 million), with £26 million in cash being returned to Valad. On 14 March 2011 Valad announced that discussions ceased. On 18 April 2011 Valad announced that it had reached mutually agreed terms with the then Managing Director (Mr Peter Hurley) on which he will cease employment with the group.

9.7 Historical financial performance

Set out in the table below is the consolidated audited financial performance of Valad for the year ended 30 June 2010 and the consolidated reviewed financial performance for the six months ended 31 December 2009 and 2010.



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Table 7: Valad consolidated income statements

| Period | 6 months to | 12 months to | 6 months to |
|---|-------------|--------------|-------------|
| \$m | 31 December | 30 June | 31 December |
| | 2009 | 2010 | 2010 |
| Investment portfolio ¹ | 22.6 | 42.6 | 24.9 |
| Funds management ² | 36.9 | 72.3 | 34.1 |
| Developments ³ and VCS | 0.5 | 5.2 | 1.8 |
| Fund co-investments | 1.5 | 2.6 | 1.0 |
| Total revenue | 61.5 | 122.7 | 61.8 |
| Employee benefits expense ⁴ | (25.2) | (50.0) | (22.1) |
| Administrative expenses | (11.6) | (23.8) | (11.0) |
| Restructure | - | - | (5.7) |
| Underlying expenses | (36.8) | (73.8) | (33.1) |
| Underlying EBITDA (excl one-offs) | 24.7 | 48.9 | 23.0 |
| Depreciation expense | (1.4) | (2.6) | (0.6) |
| Underlying EBITA (excl one-off) | 23.2 | 46.3 | 22.4 |
| Interest & other income | 2.8 | 4.3 | 1.6 |
| Finance costs | (22.3) | (43.6) | (19.1) |
| Other ⁵ | (0.1) | 0.9 | (1.3) |
| Underlying earnings (excl one-off) | 3.6 | 8.0 | 3.6 |
| Property assets - investment portfolio | (46.2) | (51.9) | 12.1 |
| Property assets - fund co-investments | (8.8) | (11.9) | (0.6) |
| Property assets - developments | (16.8) | (23.5) | (36.6) |
| Property assets - VCS | (26.1) | (64.5) | (24.1) |
| Other ⁶ | (9.5) | (21.4) | (5.2) |
| Reported earnings from statutory accounts | (103.7) | (165.2) | (50.7) |
| Earnings per security (cents) - post consolidation | (111.0) | (160.2) | (44.2) |
| Underlying earnings per security (cents) - post consolidation | 3.9 | 7.8 | 3.1 |

Source: Valad management accounts, results presentation for the half year ended 31 December 2010, Annual Financial Report for the year ended 30 June 2010

the year ended 30 June 2010

Note 1: Net of investment property expenses and non-cash straight line rental income

Note 2: Net of European direct fund management costs included in administrative costs

Note 3: Net of cost of development asset sold

Note 4: Excludes non cash item

Note 5: Includes income tax credit/(expense)(excluding non-cash deferred tax portion) and non-controlling interest Note 6: Includes other FV adjustments / impairments, derivatives, intangibles and other non-cash items

In relation to the table above, we note:

the investment portfolio business generates rental income from the various properties owned directly by Valad. The business generated revenues in the six months ended 31 December 2010 which were approximately 10% higher than the prior corresponding period (pcp), resulting from improved occupancy rates



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 the funds management business comprises of real estate investment management in both Australia and Europe with the majority of the revenue being earned in Europe, as set out below:

Table 8: Valad funds management business split

| Period | 6 months to | 12 months to | 6 months to |
|------------------|-------------|--------------|-------------|
| \$m | 31 December | 30 June | 31 December |
| | 2009 | 2010 | 2010 |
| <u>Australia</u> | | | |
| AUM | 958 | 824 | 768 |
| Management fees | 3.7 | 8.0 | 3.7 |
| <u>Europe</u> | | | |
| AUM | 6,454 | 7,294 | 6,434 |
| Management fees | 33.2 | 64.4 | 30.4 |

Source: Valad management accounts, results presentation for the half year ended 31 December 2010 and 2009, Annual Financial Report for the year ended 30 June 2010

- In relation to the table above:
 - total AUM declined from \$8.1 billion at 30 June 2010 to \$7.2 billion at 31 December 2010 due predominantly to foreign exchange translation with a smaller impact from assets and fair value impacts
 - the European funds management business has 14 funds/mandates, with four of those funds (European High Income 15%, V+ Germany 14%, V+ Nordic 1 12% and Kefren 11%) comprising 53% of ALIM
- the Australian funds management business predominantly comprises of one fund (V Plus Australia fund). Valad announced in February 2011 that it intends exiting the Australian funds management business due to it being sub-scale
- the development business comprises of real estate developments in Australia. The main properties in this business are One Alfred Street in Sydney (Goldfields House) and Pentridge in Melbourne.
- VCS was a business providing preferred equity to property projects. With the GFC impacting the
 property market from late 2007, many of the VCS projects went into receivership, and as such, Valad
 actively sought to exit its positions. This business is currently winding down all remaining positions
- restructure expenses include a \$1.0 million provision for Noosa legal fees and \$4.7 million in provisions for the planned restructure of the Australian business
- impairments for development assets comprise of \$25.8 million for the Pentridge Melbourne development (as a result of the uncertainty surrounding financing) and \$6.5 million for the One Alfred Street Sydney development



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impairments for the VCS business comprise predominantly of a \$21.5 million impairment for Top Ryde.

9.8 Financial position

Set out in the table below is the consolidated audited financial position of Valad as at 30 June 2010 and the consolidated reviewed financial position as at 31 December 2010.

Table 9: Valad consolidated balance sheets

| As at | 30 June | 31 December |
|--|---------|-------------|
| \$m | 2010 | 2010 |
| Cash and cash equivalents | 82.6 | 74.2 |
| Assets held for sale | 17.3 | 110.5 |
| Other current assets | 71.3 | 90.8 |
| Total current assets | 171.3 | 275.5 |
| Investment properties | 508.6 | 479.7 |
| Intangible assets | 73.9 | 53.9 |
| Other non-current assets | 208.4 | 109.6 |
| Total non-current assets | 791.0 | 643.2 |
| Total assets | 962.3 | 918.7 |
| Interest bearing liabilities | (58.0) | (300.2) |
| Other current liabilities ¹ | (45.9) | (50.1) |
| Total current liabilities | (103.8) | (350.3) |
| Interest bearing liabilities | (432.0) | (207.0) |
| Other non-current liabilities ² | (45.0) | (40.8) |
| Total non-current liabilities | (477.0) | (247.8) |
| Total liabilities | (580.8) | (598.1) |
| Net assets | 381.5 | 320.7 |
| Securities/units on issue (million) ³ | 114.4 | 115.1 |
| NAV per stapled security/unit (\$) | \$3.34 | \$2.79 |
| NTA per stapled security/unit (\$) | \$2.69 | \$2.32 |
| Gearing (net debt / total assets less cash) | 46.3% | 51.3% |

Source: Valad Financial Report for the period ended 31 December 2010 and 30 June 2010

Note 1: Includes: payables, current tax liabilities, derivative financial instruments and provisions

Note 2: Includes: deferred tax liabilities, payables, derivative financial instruments and provisions

Note 3: Securities on issue at 30 June 2010 have been adjusted for the 1 for 20 security consolidation that took place in November 2010





In relation to the table above, we note:

- assets held for sale comprises of investment properties: Sheraton Noosa Spa and Resort (\$85.8 million), Derrimut Victoria property which was sold at book value in April 2011 (\$7.6 million) and apartments in two Townsville apartment blocks (\$14.2 million and \$2.3 million)
- other current assets includes Valad's investment in the V Plus Australia fund (\$62.6 million)
- investment properties represent the commercial, industrial and bulky goods properties owned directly
 by Valad. The balance includes two properties with a total value of \$21.6 million which are vacant
 industrial land and are considered development sites although classified for International Financial
 Reporting Standards (IFRS) as investment properties. An overview of the property portfolio has been
 provided in Appendix 2. At 31 December 2010 all investment properties have been revalued by
 external valuers and comprise 62% of Valad's total assets
- intangible assets comprise of management rights (\$28.9 million), goodwill (\$22.1 million) and software (\$2.8 million). Management rights relate to future management fees to be received in the European business
- other non-current assets comprises of inventory (\$38.8 million), investments accounted for using
 equity method (\$28.6 million) and other (\$42.3 million). Inventory represents the book value of
 developments, excluding One Alfred Street, Erskine Park and Marsden Point. The value of Valad's
 21% in the One Alfred Street JV is shown under investments accounted for using the equity method
- current interest bearing liabilities of \$300.2 million comprise 4 facilities, with \$191 million relating to
 the Australian investment pool debt maturing in September 2011. Post 31 December 2010, this debt
 was extended to December 2012 on similar terms, subject to documentation. Further details of the
 debt facilities are provided in the next section
- non-current interest bearing liabilities of \$207.0 comprise of \$184.1 million in convertible notes and \$23 million in bank and other loans (further details of these debt facilities provided in the next section)
- at 31 December 2010, Valad securities had a NAV of \$2.79 and a NTA of \$2.32 per security. The last trading price at 31 December 2010 was \$1.03, implying a discount of 63% relative to NAV and 56% relative to the NTA.

9.8.1 Debt

At 31 December 2010 Valad had \$507.2 million of interest bearing debt with \$300.2 million being current and \$207.0 million being non-current. Subsequent to the half year end, Valad has renegotiated the maturity date of the Australian investment pool debt from September 2011 to December 2012 (subject to documentation). Set out in the table below is a summary of the debt facilities at 31 December 2010, adjusted for material changes post the half year end.





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Table 10. Interest hearing liabilities at 31 December 2010

| Debt facility | Facility | Drawn | Undrawn | Expiry | Margin |
|----------------------------|----------|---------|-----------|---------------------|------------------------------------|
| | Limit | | | | |
| | (\$m) | (\$m) | (\$m) | | (%) |
| Australian | | | | | |
| Australian investment pool | 190.8 | 190.4 | 0.4 | Dec-12 ¹ | 3.0% 2 |
| Convertible note | 192.0 | 192.0 | - | Feb-13 | Fixed rate 9.5% ³ |
| Noosa | 59.5 | 59.5 | - | Oct-11 | 2.0% |
| Pentridge | 27.0 | 26.0 | 1.0^{4} | rolling | 1.57% |
| Townsville apartments | 8.0 | 8.0 | - | Jun-12 | \$5m fixed rate 9.85%, \$3.1m 4.5% |
| Corporate facility | 16.6 | 16.6 | - | Sept-11 | Fixed rate 7.62% |
| Total Australia | 493.9 | 492.5 | 1.4 | | |
| Europe | | | | | |
| Corporate facility - 1 | £14.0 | £7.9 | £6.1 | Jul-12 | 3.0 % |
| Corporate facility - 2 | £2.0 | £2.0 | - | Aug-14 | Fixed rate 2.0% |
| Corporate facility - 3 | £0.5 | £0.4 | £0.1 | Aug-12 | 1.71% |
| Total Europe | A\$25.1 | A\$15.7 | A\$9.4 | | |
| Unamortised loan costs | (1.0) | (1.0) | | | |
| Total | 518.0 | 507.2 | 10.8 | | |

Source: Valad management as at February 2011
Note 1: The maturity of this facility was extended post 31 December 2010 from September 2011 to December 2012 subject to

Note 2: If the LVR < 45%, then the margin is 3%, if LVR \geq 45% but < 50% the margin is 3.75%, if LVR \geq 50% the margin is 4.5% Note 3: Interest step up: If the debt is not repaid / converted at February 2013 the interest rate will step up to 10.5% per annum from February 2013, and from August 2013 the higher of 12% and the one year swap rate + 500 basis points

Note 4: Available for interest capitalisation

In relation to the table above, we note:

- of the \$518 million in debt facilities above, only the \$192 million convertible note is an unsecured facility
- the Australian investment pool facility is secured against \$487.3 million of investment and development properties in Australia and New Zealand
- on 12 February 2008 entities controlled by Valad issued \$200 million of 5 year convertible notes with a coupon 9.5% per annum to Kimco Realty Corporation, a leading US Real Estate Investment Trust. Since issuing the notes Valad has repaid \$15m of the principal with \$7m being repaid post 31 December 2010. The notes are unsecured and provide the holder with the right to convert the notes into securities at any time. Currently, the conversion price would be \$26.60 but this will reset in February 2013 and August 2013. In February 2013 the reset price will be a 15% premium to the 5 day volume weighted average price (VWAP) ending 11 February 2013. In August 2013, the conversion price will reset again to the lower of the conversion price calculated at February 2013 and a 10% premium to the 5 day VWAP ending 9 August 2013. The notes must be repaid by August 2014,



unless previously converted. On 27 April 2011 Kimco sold its remaining \$185 million interest in the convertible notes to an affiliate of Blackstone Real Estate Advisors VI L.P. for \$165 million plus any unpaid accrued interest (equating to a \$20 million discount)

- · Noosa debt is secured against the Noosa property and operations
- Pentridge debt is secured against the Pentridge property. This debt was originally due to expire in
 December 2010, Valad has entered into arrangements with the lender to extend the facility on a
 rolling basis pending clarification of a longer term extension to allow for an orderly disposal of the
 asset
- Townsville apartment debt is secured against Central Apartments
- Corporate facility of \$16.6 million arose through the restructure of a cross-currency swap. This is an
 amortising loan which is being paid down monthly (\$2.2 million per month) until fully paid in
 September 2011
- at 31 December 2010 Valad reported that the average cost of debt for the facilities above is 8.7% per annum (including hedges) and gearing (net debt/total assets less cash) of 51.3%.

Set out in the table below is a summary of the key debt covenants and covenant results for Valad at 31 December 2010.

Table 11: Key covenants and gearing at 31 December 2010

| | Major | Covenant |
|----------------------------|----------------------------|----------------------------|
| | covenants | results |
| Australian investment pool | LVR < 55%, ICR 1.6x | LVR 42.4%, ICR 2.25x |
| Convertible note | Tangible asset gearing 75% | Tangible asset gearing 68% |
| Noosa | LVR < 70%, ICR 1.1x | LVR 70%, ICR 1.9x |
| Europe corporate facility | Assets > 300% | Assets 779% |
| | Net worth > £40m | Net worth £55.3m |
| | ICR > 2.0x | ICR 19.59x |

Source: Valad management accounts, results presentation for the half year ended 31 December 2010

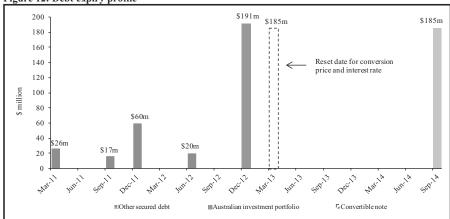
As highlighted in the table above, Valad is well within its debt covenants. We note that the Pentridge debt facility has matured.

The figure below illustrates the maturity profile of Valad's debt at the time of writing this report.



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Figure 12: Debt expiry profile



Source: Results presentation for the half year ended 31 December 2010

In relation to the table above, the \$185 million convertible note maturity is August 2014, however there are conversion price and interest rate resets on February 2013, and so in the interests of avoiding potential equity dilution the business aims to repay the majority of the convertible note by 2013.

9.9 Statement of cash flows

Set out in the table below is the consolidated audited cash flow statement of Valad for the year ended 30 June 2010 and the consolidated reviewed cash flow statement for the six months ended 31 December 2009 and 2010.

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Table 12: Valad consolidated cash flow statements

| Period | 6 months to | 12 months to | 6 months to |
|---|-------------|--------------|-------------|
| \$m | 31 December | 30 June | 31 December |
| | 2009 | 2010 | 2010 |
| Cash flows from operating activities | | | |
| Receipts from customers | 68.7 | 138.1 | 72.1 |
| Payments to suppliers | (57.5) | (94.1) | (45.8) |
| Interest received | 2.9 | 4.1 | 2.6 |
| Distribution and dividends received | 1.9 | 5.6 | 0.7 |
| Finance costs paid | (24.1) | (41.4) | (20.9) |
| Other | 1.7 | (0.3) | (2.8) |
| Net cash inflow from operating activities | (6.4) | 12.0 | 5.9 |
| Cash flows from investing activities | | | |
| Net (payments) / receipts for investments | (4.4) | (7.7) | 1.0 |
| Net receipts for investment properties | 94.2 | 93.0 | 22.1 |
| Net (payments) / receipts for inventory | 3.3 | (4.9) | (3.4) |
| Net (payments) / receipts for acquisitions | (53.9) | (55.0) | 3.8 |
| Payment in respect of Top Ryde | - | - | (6.5) |
| Net receipt of loans from third / related parties | 10.3 | 17.7 | 13.4 |
| Net cash inflow from investing activities | 49.5 | 43.0 | 30.4 |
| Cash flows from financing activities | | | |
| Net proceeds from issue of securities | 61.0 | 61.0 | - |
| Net repayment of borrowings | (95.2) | (102.3) | (36.5) |
| Net cash outflow from financing activities | (34.2) | (41.3) | (36.5) |
| Net increase / (decrease) in cash | 8.9 | 13.6 | (0.3) |
| Cash at the beginning of the period | 76.9 | 76.9 | 82.6 |
| Effects of exchange rate changes on cash | (1.8) | (7.9) | (8.2) |
| Cash at the end of the period | 84.0 | 82.6 | 74.2 |

Source: Valad Financial Report for the period ended 31 December 2010 and 30 June 2010

In relation to the table above, we note:

- in the 6 months to 31 December 2010 cash inflows from activities was close to break even, net cash
 inflows from investing activities was \$30 million predominantly due to proceeds from sale of
 investment properties and repayment of loans from third parties, which was used to pay down debt
- the payment in respect of Top Ryde relates to the restructure of Valad's involvement in a VCS project, the Top Ryde Shopping Centre. Valad was released from all its obligations under its creditor support facilities, totalling \$43.2 million in exchange for a one-off contribution of \$6.5 million.



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9.10 Capital structure

9.10.1 Securities on issue

At 11 May 2011, Valad had 115.1 million fully paid Securities and 2.1 million options on issue. On 16 November 2010, Valad completed a 1 for 20 security consolidation which resulted in the number of Securities on issue reducing from 2.3 billion to 115.1 million.

9.10.2 Top 10 securityholders

The following table summarises the top 10 securityholders at 11 May 2011.

Table 13: Top 10 securityholders at 11 May 2011

| Investor | Number of securities held | Percentage of securities |
|---|---------------------------|--------------------------|
| HSBC Custody Nominees (Australia) Limited | 20,744,267 | 18.0% |
| Citicorp Nominees Pty Ltd | 19,579,636 | 17.0% |
| JP Morgan Nominees Australia Limited | 11,363,882 | 9.9% |
| National Nominees Limited | 10,375,810 | 9.0% |
| JP Morgan Nominees Australia Limited | 7,924,309 | 6.9% |
| Kevin McCabe | 2,972,618 | 2.6% |
| HSBC Custody Nominees (Australia) Limited | 2,932,299 | 2.5% |
| Citicorp Nominees Pty Limited | 2,106,812 | 1.8% |
| CS Fourth Nominees Pty Ltd | 1,500,000 | 1.3% |
| Bainpro Nominees Pty Ltd | 1,470,312 | 1.3% |
| Top 10 securityholders | 80,969,945 | 70.3% |
| Other securityholders | 34,138,171 | 29.7% |
| Total securityholders | 115,108,116 | 100.0% |

Source: Valad registry





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9.10.3 Spread of securityholders

The following table outlines the spread of securityholders of Valad at 11 May 2011.

Table 14: Spread of securityholders at 11 May 2011

| Securities held | Number of security | Number of securities | Percentage of security |
|-------------------|--------------------|----------------------|------------------------|
| | holders | held | holders |
| 1 to1,000 | 3,771 | 1,444,891 | 1.3% |
| 1,001 to 5,000 | 2,141 | 5,186,319 | 4.5% |
| 5,001 to 10,000 | 501 | 3,644,431 | 3.2% |
| 10,001 to 100,000 | 426 | 10,965,331 | 9.5% |
| 100,001 and over | 49 | 93,867,144 | 81.5% |
| Total | 6.888 | 115,108,116 | 100.0% |

Source: Valad registry

9.10.4 Directors' security holdings

The following table outlines the directors who hold Securities in Valad as at 11 May 2011.

Table 15: Directors' security holdings at 11 May 2011

| Director's name | Number of securities held | Percentage of total securities on |
|-----------------------------|---------------------------|---|
| Trevor Gerber | 83,451 | 0.07% |
| Andrew Martin | 52,735 | 0.05% |
| Robert Seidler | 14,273 | 0.01% |
| Total Directors' Securities | 150,459 | 0.13% |
| Total Securities on issue | 115,108,116 | n/a |

Source: Valad registry



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9.10.5 Options on issue

The following table outlines the options on issue at 11 May 2011.

Table 16: Options on issue at 11 May 2011

| Options on issue | Options/ | Exercise | Vesting | Expiry |
|--|--------------------|----------|-----------|-----------|
| | Performance Rights | \$ | date | date |
| Long Term Incentive | | | | |
| FY08 – Deferred bonus | 98,605 | \$22.60 | vested | 07-Oct-11 |
| FY08 – Deferred bonus | 8,233 | \$0.00 | 01-Jul-11 | 07-Oct-11 |
| FY09 – Deferred bonus | 284,875 | \$0.80 | 01-Jul-11 | 07-Oct-11 |
| FY10 – Deferred bonus | 413,597 | \$0.00 | 07-Dec-12 | 09-Apr-13 |
| FY10 – Deferred bonus | 900,000 | \$2.44 | 07-Dec-12 | 09-Apr-13 |
| FY10 – Deferred bonus | 288,777 | \$0.00 | 01-Jul-13 | 01-Oct-13 |
| Grant on sale of Business | | | | |
| Deferred consideration - Nordic business | 80,000 | \$30.00 | 12-Mar-12 | 12-Sep-12 |
| Total | 2,074,087 | | | |

In relation to the table above we note the following:

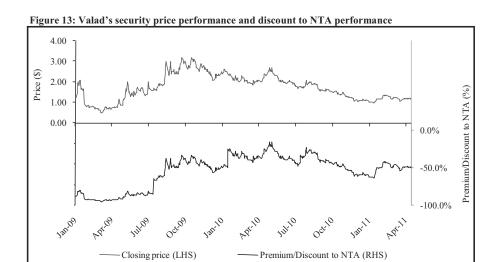
- the FY08 Australian 3 year long-term incentive options, FY10 European long-term incentive options and the grant on sale of business options are all out-of-the-money
- Valad management has indicated that the Scheme will allow for the trigger of vesting conditions of the current options on issue and they will expire if not exercised
- Valad expects that the options on issue that are in-the-money will be exercised and therefore there is
 an expectation that an additional 0.7 million securities will be issued bringing the total securities on
 issue to 115.8 million. The total amount to be received by Valad if all in-the-money options were
 exercised will be \$0.2 million.

In addition to the options referred to above Valad has the right to acquire certain securities from a specific securityholders and has granted back to back rights to four employees to acquire these securities at the same price. As the price is far greater than the consideration offered as part of the Scheme Valad does not expect these arrangements to be implemented, however, if implemented they would not require any additional securities to be issued.

9.10.6 Security price performance

The figure below illustrates the historical trading price of the securities of Valad and also compares the discount to NTA for the period 1 January 2009 to 27 April 2011.





Source: Capital IQ

We note the following in relation to the above figure:

- the above graph has been calculated based on the assumption that Valad's securities have been adjusted for the 1 for 20 security consolidation that was completed on 16 November 2010
- premium/Discount to NTA has been calculated based on the NTA per security as at the last reporting date for each data point.



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9.10.7 Volume weighted average price and liquidity analysis

Set out in the table below is an analysis of the VWAP and historical liquidity of Valad securities up to the close of trade on 27 April 2011, being the last trading day prior to the announcement of the Scheme.

Table 17: Valad's VWAP and liquidity analysis

| Period prior to close of trade on 27 April 2011 | Price Low (\$) | Price High (\$) | VWAP (\$) | Cumulative volume million | As % of Issued Capital |
|---|----------------------|-----------------------|-----------|---------------------------------|------------------------------|
| 1 week | 1.15 | 1.16 | 1.15 | 0.3 | 0.3 |
| 1 month | 1.14 | 1.23 | 1.19 | 4.2 | 3.6 |
| 3 months | 1.07 | 1.37 | 1.18 | 22.4 | 19.4 |
| 6 months | 0.96 | 1.46 | 1.17 | 44.0 | 38.2 |
| 12 months | 0.96 | 2.80 | 1.53 | 86.1 | 75.1 |

Source: CapitalIQ and KPMG Analysis

We note that Dexus Property Group (Dexus), Mirvac Group (Mirvac), GPT Group (GPT) and Stockland that are generally considered to be liquid A-REITs, traded approximately 48% to 64% of their issued capital in the 6 month period ended 27 April 2011. Therefore, in consideration of the trading volume of Valad in the above table and in conjunction with the trading volumes of comparable companies, we can conclude that Valad's shares are liquid.

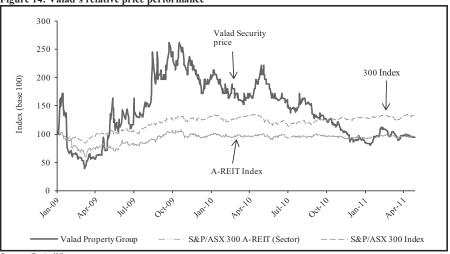




9.10.8 Relative price performance

In the figure below we have provided a comparison of the trading performance of the Valad securities with the S&P/ASX 300 A-REIT Index (A-REIT Index) and the S&P/ASX 300 Index (300 Index) for the period from 1 January 2009 to 27 April 2011.





Source: CapitalIQ

Over the full period January 2009 to April 2011 the Valad security price performed in line with the A-REIT Index but underperformed the 300 Index. From around September 2009 the Valad security price underperformed both indices predominantly as a result of asset value write downs, gearing levels, constraint of credit and lack of market depth for property assets

9.10.9 Distributions

Valad has not paid any distributions since the FY08 financial year.



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10 Overview of Property and Property Management Industries

10.1 Introduction

Valad is an A-REIT and formed part of the S&P/ASX 300 REIT index prior to March 2011. Valad owns investment and development properties in Australia and New Zealand, manages real estate funds in Australia and Europe and also has investments in some of these funds. In the section below we have provided an overview of the:

- A-REIT sector
- Property sector in Australia, New Zealand and Europe
- Property development sector
- Property funds management industries in Australia and Europe.

10.2 Overview of the A-REIT sector

A-REITs are trust structures that provide securityholders the opportunity to invest in a vehicle that has investments in direct and/or indirect property assets, both domestically and internationally.

At 29 April 2011 the market capitalisation of A-REITs listed on the ASX was \$79 billion of which the largest 20 listed A-REITs represented 96% of the market capitalisation. Westfield Group (Westfield) is the largest listed A-REIT, representing approximately 26% of the total market capitalisation at the above date.

A-REITs invest in a range of properties in various sub-sectors and geographical locations. Securityholders generally evaluate A-REITs by assessing the security of the income, the quality of the individual properties and tenants, the length of tenant leases, the level of gearing and the quality of management. The relative risk of these elements will generally be reflected in the yield of individual A-REITs.

A-REITs are often sector-specific, concentrating on a particular sub-sector of the property market. However there are some that invest in several sub-sectors, known as diversified A-REITs. Set out below is a summary of the type of properties in each property sub-sector:

- Industrial: investment in industrial warehouses and distribution properties
- Office: investment in office buildings and office parks
- Residential: investment in residential properties including multifamily homes, apartments, manufactured homes and student housing properties
- Retail: investment in shopping malls, outlet malls, neighbourhood and community shopping centres

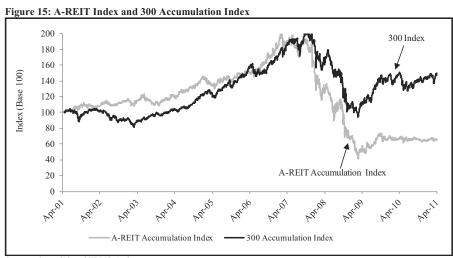


- Hotel: investment in properties that provide accommodation on a room and/or suite basis
- Bulky goods: investment in retail warehouses which contain whitegoods and hardware.

A-REITs may be able to access tax concessions (such as capital allowances and tax deferral on rental income) which are generally passed onto securityholders through tax deferred distributions.

10.2.1 Historical performance

The figure below outlines the relative performance of the S&P/ASX 300 A-REIT Accumulation Index (A-REIT Index) and the S&P/ASX 300 Accumulation Index (300 Index) from 29 April 2001 to 29 April 2011.



Source; CapitalIQ and KPMG Analysis

In relation to the figure above, we note the A-REIT Index generally outperformed the 300 Index between April 2001 and June 2007, after which the A-REIT index underperformed as a result of the GFC. Since March 2009 the equity markets have generally been recovering but as seen in the figure above, the A-REIT index recovery is slower due to the uncertainty of the timing of a recovery in the property sector.

The GFC from late 2007 had a major impact on the A-REIT sector, as illustrated in the figure above. From its high in February 2007 the A-REIT index declined approximately 79% to its low on 9 March 2009, compared with a high to low decline of approximately 61% for the 300 Accumulation index. The GFC caused changes in debt markets, resulting in tighter gearing requirements, stringent debt covenant conditions, higher cost of debt and lower liquidity. As a result of the crisis, capitalisation rates of properties increased, resulting in large property devaluations. This together with higher debt costs significantly impacted the A-REIT sector, particularly those entities with high gearing levels. As a result



many A-REITs have had to recapitalise by raising large amounts of equity at significant discounts to their NTA price in order to reduce gearing to more sustainable levels.

10.2.2 Price versus net tangible asset backing

A-REITs generally release their NTA per unit on a quarterly or semi-annual basis, depending on the size of the A-REIT. When analysing listed A-REITs, one consideration for brokers and analysts is the difference between the trading price and the last reported NTA per security.

Illustrated in the figure below is a comparison of the NTA per security of a selection of listed A-REITs as at the close of trading on 27 April 2011 (being the final day Valad securities were traded prior to the announcement of the Scheme) with their last reported NTA as at 31 December 2010.

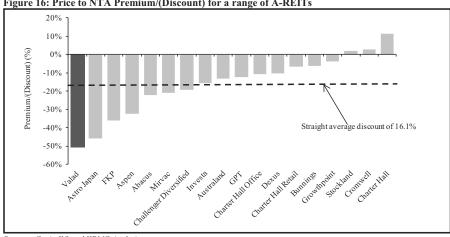


Figure 16: Price to NTA Premium/(Discount) for a range of A-REITs

Source: CapitaIlQ and KPMG Analysis

Of the 18 listed A-REITs analysed, three were trading at a premium to NTA and 15 are trading below their NTA, with the straight average discount of the sample being 16.1%. The three A-REITs trading at a premium to NTA have either a substantial funds management business or a property development business. As such valuing these active businesses using a net assets approach does not necessarily reflect the true value of the businesses. As illustrated in the graph above, Valad was trading at a discount of 50% to its NTA as at 27 April 2011.



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10.2.3 Capital raisings

Set out in the table below is a summary of the total number and value of capital raisings completed by listed A-REITs for various periods.

Table 18: Summary of listed A-REITs' capital raisings (2008 to present)

| Calendar Year | Number of capital | Capital raised | Percentage of Market |
|---------------------------|-------------------|----------------|----------------------|
| | raisings | \$m | Capitalisation |
| 2008 | 14 | 5,908 | 10.15% |
| 2009 | 25 | 13,069 | 17.45% |
| 2010 | 9 | 5,725 | 6.60% |
| 2011 (Qtr ended 31 March) | 2 | 173 | 0.22% |

Source; KPMG Analysis, Merrill Lynch March 2011 - The Green BOOK

In relation to the table above we note:

- In 2009 the A-REIT sector was significantly impacted by the GFC with property devaluations, intangible asset impairments and many A-REITs either breaching or being close to breaching debt covenants. As a result a large number of A-REITs completed capital raisings at material discounts to trading prices and last reported NTAs. A summary of these discounts can be found in Appendix 5
- In 2010 the majority of A-REITs had been recapitalised with the total value of capital raisings returning to pre GFC levels
- In the first quarter of 2011 only two A-REIT capital raisings have been completed for relatively small
 amounts. Based on these figures one would expect the total value of capital raised by A-REITs in
 2011 to be lower than 2010.

10.2.4 Outlook for A-REITs

The recovery of A-REITs continues to lag the general recovery in the market. Investors continue to be concerned about valuations, occupancy rates and the step up in margin percentage once existing debt is refinanced. Overall property valuations seem to have stabilised with capitalisation rates remaining constant for a number of quarters. Occupancy rates are highly dependent upon the property type and location but generally they are expected to be in line with the growth of the Australian economy. A-REITs continue to trade at discounts to their reported NTAs but the discount has reduced over the last 12 months and one would expect this to further reduce as investors gain more confidence in the book values of the properties owned by the groups.

10.3 Property Industry

Valad owns investment and development property in Australia and New Zealand. Approximately 10% of the book value of property is located in New Zealand. In addition Valad manages property funds in Europe which own properties in the United Kingdom and Europe. As such we have provided an overview



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of the property markets in Australia, New Zealand and Europe as all three impact the performance of Valad.

10.3.1 Australia

The majority of the investment and development property owned by Valad is in Australia. The investment properties predominantly comprise non-prime grade properties in the office, industrial, bulky goods and hotel sub-sectors with many being located outside of capital cities. The two largest development properties are residential developments in Sydney and outside Melbourne.

Current demand for prime and non-prime properties

Buyers' appetite for prime grade properties continues to be strong with long lease terms and strong lease covenants being attractive to both institutional and private investors. Over the past two years there has been limited supply of new prime grade properties due to a combination of restrictive credit market conditions and uncertainty in asset pricing. As such, the demand for these properties is expected to remain strong.

Whilst there has been strong evidence of supply and demand for prime grade property, the market for non-prime property is considerably less liquid. Assets which are older and in need of capital expenditure, have high vacancy rates, low WALEs and weak lease covenants have been heavily discounted by investors. Current yields for non-prime suburban grade property are 2.0% to 3.5% above prime grade property reflecting the limited upside in expected capital growth and difficulties in funding because of short term WALEs.

Recent market research reports suggest very few transactions have occurred in the non-prime property market over the past two years. Sales which have occurred have primarily been to owner-occupiers as opposed to the investment market. With a shallow pool of potential investors for non-prime grade assets, it may be difficult for these assets to maintain their value going forward.

Sub-sector overview

Set out below is a summary of the current state and outlook for each sub-sector in which Valad owns properties.

- Residential: The reduction of the first home owners grant in January 2010 and increasing interest
 rates are causing a deceleration in price growth in the short term with housing credit growth slowing
 to just 0.4% in March 2011 quarter. However this is expected to be offset in the longer term due to
 population growth, reduced household sizes and improving investor confidence
- Office: Toward the end of 2010 and beginning of 2011, tenant demand improved due to an improving
 domestic economy and rental rates, capital values and yields begun to stabilise. In the medium term,
 demand in the office property sector is expected to reach pre-GFC growth rates throughout 2012 due
 to improving economic conditions resulting in higher corporate profits and lower unemployment. In

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the next five years, increasing demand for office space is expected due to increasing white-collar employment. However, tighter lending criteria are anticipated to constrain some supply in the office property sector

- Industrial: The strengthening Australian dollar and a solid domestic economy experienced in 2010
 resulted in a sustained recovery in imports, which increased the demand for manufacturing and
 warehousing space. Over the long-term, expected improving economic conditions which fuels
 construction activity, manufacturing and imports, will result in an improvement in the performance of
 the industrial property sector
- Retail/Bulky goods: Retail consumer spending is the main driver of activity in this sector and is
 expected to achieve moderate growth in the near future. However, these growth levels are uncertain
 in 2011 due to increasing interest rates, sluggish consumer confidence and the flow-on effects of the
 reduction in government stimulus.

10.3.2 New Zealand

Valad's property investments and developments in New Zealand are within the industrial and office subsectors. We have provided a summary of these below.

- Industrial: The industrial property sector has recovered with improved investor confidence over the
 last two years. The Christchurch earthquake did reduce investor confidence temporarily, however,
 property activity has improved in this sector since. Enquiries for new space and the value of new
 building consents have increased significantly from 2010 and industrial vacancy levels and yields are
 predicted to improve over the next year in line with improved investor confidence and transactional
 activity
- Office: The office property market in New Zealand declined in 2010 with growing vacancy rates in prime office property and lower rental growth rates. Vacancy rates are expected to decline over the next few years due to forecast improved employment growth.

10.3.3 UK and Europe

Valad manages 14 funds and mandates that comprise of 850 properties throughout Europe. The properties are predominantly office and industrial and are mainly located in the Nordics, UK, Germany and Central Europe. Set out below is a brief overview of the current state of some of these markets.

- Nordic: The Nordic region has seen subdued property investment activity in recent times however
 this trend is gradually improving with recent investment activity being as high as that seen in the first
 quarter of 2009. The supply of prime grade properties in the region, which have been in demand, is
 dwindling
- UK: Property investment sentiment within the UK remained aligned with the UK's economic
 uncertainty. Foreign investors contributed the majority of total transaction volume as at December



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2010, with the focus being on Central London and other prime grade properties. Areas outside of London continue to struggle with high vacancy rates

- Germany: Prime grade property rents in Germany are expected to increase further in 2011 with the
 gulf between Prime and Non-prime grade property continuing to widen. Investment turnover had
 increased by 83% from December 2009 to December 2010. Foreign investment represented
 approximately 40% of this total investment with office transactions representing 40% of this total
 transaction volume
- Central Europe: In Central Europe the property investment market is starting to recover, however
 transaction activity in 2010 still remained relatively stagnant and these transactions were focused on
 Prime grade properties. It is expected that the lack of new development coupled with improvements
 in demand levels will see supply levels decrease in 2011 and 2010.

The potential recovery of the European property market may be driven by improved capital values based on greater investment market activity and the resumption of rental growth. Furthermore, the yields on property investments are expected to stabilise over time as comparatively low government bond yields and low returns available on cash make property a relatively attractive investment. However, the strength of the recovery of the property market is contingent on the contrasting economic fortunes across the different countries in Europe, with a clear divergence between Southern Europe and other European countries. The potential for a double-dip recession driven by the sovereign debt crises may constrain the extent of the economic recovery, stunting any potential recovery in the property market.

10.4 Property development

Valad's two largest property developments are residential with one development being high-end residential units in the Sydney CBD and the other being the development of residential units in Melbourne. In recent times property developers have been struggling as lenders are providing less finance, at lower loan-to-value ratios and at higher cost. In addition demand for residential units has weakened as local investors have concerns about interest rate rises and foreign investors have concerns with the strong Australian dollar.

10.5 Property funds management

10.5.1 Australia

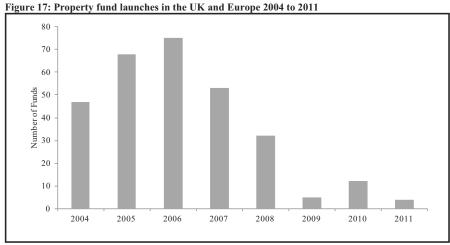
In Australia Valad's property funds management business comprises of six mandates of which one mandate (the V Plus Australia fund) represents 75% of the business. In February 2011 Valad announced its intention to exit the investment management business and realise its co-investment stake in the V Plus Australia fund. KPMG is also of the understanding that the current investors in the V Plus Australia fund are undertaking a strategic review of the fund. Two other mandates will expire in 2013 when the funds mature. As such we have not provided an overview of the Australian property funds management sector as Valad intends on exiting this business in the near term.



10.5.2 Europe

Valad owns one of the largest real estate investment managers in Europe with 240 people based in 20 offices in 12 European countries. The business manages funds and short-term mandates with a weighted average expiry term of five years at 31 December 2010. Its main competitors are private operators that focus on a single country. Other participants in the market, albeit much larger, include Henderson, Aviva and AXA.

The property management industry in the UK and Europe is currently experiencing difficult times as there is a shortage of equity, banks are restricting their lending on non-prime real estate and the various European economies are struggling to recover from the GFC. Generally property fund managers grow their businesses by launching new funds. The diagram below illustrates the number of new fund launches since 2004



Source: Vehicles database 2011

As highlighted in the diagram above the number of new fund launches in the UK and Europe has declined substantially since the onset of the GFC in late 2007. Since the GFC property values have been declining globally, property funds have struggled to refinance existing debt and occupancy rates have been decreasing. Currently valuations and occupancy levels are stabilising throughout Europe but investors are yet to reinvest capital into real estate. As such some property fund managers have moved their focus from fund launches to bank work where they aim to assist banks with managing distressed portfolios. This type of work is short term in nature but there is expectation that more of this work will become available as banks continue to take control of more distressed portfolios.



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11 Valuation of Valad

11.1 General

This section sets out our assessment of the underlying value of Valad securities inclusive of a premium for control. When assessing the value of 100% of Valad, we have considered those synergies and benefits which would generally be available to a broad pool of hypothetical purchasers. We have not included the value of synergies and benefits that may be unique to Blackstone. Accordingly, our valuation of a Valad security has been determined regardless of the acquirer. We note in this regard that we have not identified any synergies that may be unique to Blackstone.

In determining the value of a Valad security, KPMG has applied a sum-of-the-parts approach whereby each business line is valued using a valuation methodology that is appropriate for that business. We have applied this approach as the business lines are too varied for the application of a single valuation method, as explained below:

- Valad owns investment and development properties. For these properties the value lies in the
 underlying assets and not the ongoing operations of the business. As such a net asset or cost based
 methodology is generally applied to value these types of assets. KPMG has reviewed a sample of the
 valuation reports at 31 December 2010 and has valued these properties using the book value at 31
 December 2010 adjusted as considered necessary by KPMG
- Valad has investments in the unlisted funds that it has established. These funds own investment properties and/or development properties and distribute little to no income to the unitholders. For these investments the value lies in the underlying assets in the funds. As such a net asset or cost based methodology is generally applied to value these types of assets. KPMG has not been able to source the valuation reports for the properties owned by the funds due to confidentiality. As such KPMG has valued these investments by using the book value at 31 December 2010.
- Valad has a funds management business in Australia and Europe. The value of these businesses is in the ongoing operations as opposed to the underlying assets. As such a valuer would generally apply a capitalisation of earnings or discounted cash flow methodology, depending on the maturity of the business and the availability of information. The European business has limited long term forecasts so KPMG has valued the business using a capitalisation of earnings.
- Valad incurs head office costs that are not allocated to any of the business lines. To account for these
 costs a valuer must either incorporate them into a discounted cash flow or earnings capitalisation
 approach. KPMG has selected to value these costs using a capitalisation of earnings as there is
 limited long term forecasts in relation to these costs.

As a cross-check of our valuation, we have completed a cross-check by analysing the recent trading history of Valad securities and comparing the earnings multiples implied by our valuation with those of comparable listed A-REITs (refer to Section 11.9).

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Our overall valuation approach in relation to the underlying valuation of Valad has been to add the estimated enterprise values for each of the business lines determined using the above methodologies, to which capitalised unallocated corporate overheads (Corporate) and the value of net debt is deducted, and net surplus assets/liabilities adjusted to determine the equity value of Valad, as set out in the table below.

Table 19: Summary of equity value of Valad

| Table 19. Summary of equity value of v | Valuation | Assessed value | |
|---|-------------------------|----------------|------------|
| \$ million | Methodology | Low value | High value |
| Property portfolio | Book value as adjusted | 540.3 | 568.7 |
| Development portfolio | Book value as adjusted | 83.1 | 87.5 |
| Australian investment management | Book value | 65.0 | 65.0 |
| European investment management ^{1,2} | Earnings capitalisation | 60.1 | 70.1 |
| Less: Corporate costs | Earnings capitalisation | (96.0) | (80.0) |
| Total Valad enterprise value | | 652.5 | 711.3 |
| Less: Net debt | Book value | (431.5) | (431.5) |
| Total Valad equity value | | 221.0 | 279.8 |
| Number of securities on issue ³ | | 115.8 | 115.8 |
| Value per Valad security | | 1.91 | 2.42 |

Source: KPM

Note 1: European development properties have been included under European investment management

We have assessed the underlying value of the 100% of the equity in Valad to lie in the range of \$221.0 million to \$279.8 million, which equates to an underlying value per Valad security of between \$1.91 and \$2.42. As mentioned above, our assessed value represents the underlying value of 100% of the equity in Valad including a premium for control. Our assessment of each business line is discussed below.

11.2 Property portfolio

The property portfolio has been valued at between \$540.3 and \$568.7 million with the high end of the range being the book value at 31 December 2010. A summary of the property portfolio can be found in Section 9.3 and a list of the properties can be found in Appendix 2.

The property portfolio comprises 27 properties of which 24 (82% of value) were valued by external property valuers at 31 December 2010. The three properties that were not valued at 31 December 2010 had a book value of \$103 million with the Sheraton Noosa representing the majority of the balance (book value of \$85.8 million).

At the time of receiving an offer from Blackstone, Valad had engaged an adviser to manage the sale of the Sheraton Noosa. Offers have recently been received from a number of interested parties with the best offers being at a discount to book value. Having discussed the sale process with Valad and the adviser KPMG does not consider the initial offers to necessarily be indicative of the market value for the following reasons:

Note 2: In valuing the European investment management business KPMG has taken net debt into account, such that the value

represents an equity value as opposed to an enterprise value

Note 3: Securities on issue has been adjusted to include 0.7 million options that are in the money and will be exercised as part of
the Scheme



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- initial offers from buyers generally do not represent the maximum amount that a buyer is willing to pay for an asset
- · Blackstone's right to veto any decision made by Valad acted as an impediment to the sales process
- the current strength of the Australian dollar has reduced the appeal for overseas buyers
- the existing demand from buyers is focused on CBD hotels and the market is likely to improve over time as the surplus of CBD hotels reduces and the demand for regional sites increases
- buyers were aware of the Valad's financial position and were likely to be making a bid on the assumption of a distressed seller.

In valuing the properties owned by Valad, KPMG has applied a discount of 5% to the low value range. KPMG does not consider it necessary to make any further adjustment to our valuation of the properties for the reasons noted above.

In relation to the external valuations at 31 December 2010 KPMG can confirm that:

- the property valuers were independent of Valad
- the engagement instructions did not limit the scope of the valuations
- the property valuations were completed by reputable valuation companies and by valuers who have the appropriate qualifications
- the valuation methods used appear to be consistent with those generally applied in the industry.

KPMG's specialised real estate advisory group completed a review of 15 valuation reports (68% by value) and contacted each valuer to discuss the valuation assumptions and potential change in the values since 31 December 2010. Set out below is a summary of KPMG's findings:

- the Sheraton Noosa valuation and three other valuations (25% of portfolio by value) were assessed to be reasonable and reflective of the current market value
- the majority of the other valuations were considered to be potentially in excess of the value that
 would be achievable if these properties were currently sold on the open market. This opinion was
 formed after observing the following:
 - the majority of properties are considered to be secondary class investment grade assets
 - a large proportion of the portfolio is located in regional or non central business district locations

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- a large portion of the properties have short WALEs, high vacancies and high capital expenditure requirements
- the New Zealand industrial assets are aged and leased to a single tenant which significantly reduces the saleability of the properties.

After considering the various observations from KPMG's review as well as the feedback from the valuers that completed each valuation, KPMG considers the book values at 31 December 2010 to be potentially in excess of the likely realisable value in the current market. As such we have adjusted the low end of the property valuations by 5% to provide a valuation range that considers the potential impact of our findings from the review of the valuations.

11.3 Development portfolio

The Australia and New Zealand development portfolio has been valued at between \$83.1 and \$87.5 million with the high end of the range being the book value at 31 December 2010. A summary of the development portfolio can be found in Section 9.4.

The development portfolio comprises of 6 developments in Australia with a book value of \$87.5 million and 3 small developments in Europe with a book value of \$2.1 million. The European developments have been included in the valuation of the European investment management business.

The four largest developments in Australia and New Zealand (representing 88% of book value) were valued by external valuers at 31 December 2010.

In relation to the external valuations at 31 December 2010 KPMG can confirm that (as with the investment properties):

- · the property valuers were independent of Valad
- the engagement instructions did not limit the scope of the valuations
- the property valuations were completed by reputable valuation companies and by valuers who have the appropriate qualifications
- the valuation methods used appear to be consistent with those generally applied in the industry.

KPMG completed a review of 3 valuation reports (75% by value) and contacted each valuer to discuss the valuation assumptions and potential change in the values since 31 December 2010. Set out below is a summary of KPMG's findings:

 One Alfred Street: This property is a residential development site with a proposed development for 197 apartments and 9 retail units and was externally valued at 31 December 2010 at \$290 million. According to the valuation the project would require approximately \$295 million of equity on a 60%



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equity ratio. The valuer has determined the property value based on the estimated gross proceeds from selling the developed units is prone to error as there is no directly comparable product against which to benchmark these estimates. KPMG has reviewed the various assumptions and is of the opinion that there is a considerable risk that this property would likely achieve a lower value than the valuation if sold in the current market

- Pentridge: This property is a residential development site outside Melbourne with a proposed
 development of 290 apartments. This property has a number of issues including the large cost to
 develop, an excess supply of units in the area as well as environmental issues. However, Valad has
 written down the value of this property such that the net book value is \$3 million after considering
 issues associated with the debt secured against the site which expired in December 2010
- Marsden Point: This property is a vacant block of land which Valad has no intention of developing in the near future and was externally valued at 31 December 2010 at \$10.1 million. As there is limited market evidence with which to compare the subject property, the valuer has adjusted the purchase price from 2007 for his estimate of market movements. Whilst this approach is not unreasonable, it does not consider supply and demand dynamics and is not particularly accurate.

After considering the various observations from KPMG's review as well as the feedback from the valuers that completed each valuation, KPMG considers the book values at 31 December 2010 potentially to be in excess of the likely realisable value in the current market. As such we have adjusted the low end of the property valuations by 5% to provide a valuation range that considers the potential impact of our findings from the review of the valuations.

11.4 Australian investment management

The Australian investment management business comprises of a property funds management business and co-investments in some of those funds. Set out in the table below is a summary of the valuation of this business.

Table 20: Valuation of Australian investment management business

| | Valuation | Assessed value | |
|---------------------------------------|----------------|----------------|------------|
| \$ million | Methodology | Low value | High value |
| Funds management business | n/a | - | - |
| Co-investments | Book value | 65.0 | 65.0 |
| Value of Australian investment manage | ement business | 65.0 | 65.0 |

Source: KPMG

Set out below is a summary of each of the valuations.





11.4.1 Funds management business

Valad's Australian funds management business comprises of four institutional funds (the V Plus Australia fund and ICA Development Funds 3,4 and 5) and two retail investor funds, VOF 11 and VOF 12. In addition Valad manages APG's interest in the One Alfred street joint venture (40% interest). A summary of these funds can be found in Section 9.5.

The divestment phase of the VOF and ICA closed ended series is now well progressed, with the final close of most of these funds expected in late 2011 and 2012. As these funds complete asset divestments, the Australian funds management business will become significantly reduced.

Once these funds are closed the Australian funds management business will comprise the V Plus Australia fund and APG's interest in One Alfred Street. The V Plus Australia fund is the largest mandate of the business, contributing 70% of management fees in the first half of FY11.

Valad also holds an 18% investment in the V Plus Australia fund on its balance sheet. In February 2011 Valad announced that it will seek to divest the investment in the V Plus Australia fund. The investors in the fund are currently undertaking a strategic review of the fund.

In the first half of FY11 the Australian funds management business earned management fees of \$3.7 million and had costs of a similar size. We do not expect this business to be profitable in its current form as it is sub-scale. As such we have given this business nil value.

11.4.2 Australian co-investments

The Australian co-investments have been valued at \$65.0 million, being the book value at 31 December 2010. Valad has an 18% investment in the V Plus Australia fund which has a book value of \$62.0 million. The balance of \$3.0 million relates to investments in the ICA and VOF funds.

The V Plus Australia fund has approximately \$577 million in gross assets invested in 12 properties located in metropolitan Sydney, Brisbane and Melbourne. Major assets include the refurbished 227 Elizabeth Street Sydney, 241 O'Riordan Street Mascot, the Queen Street/George Street, Brisbane properties and 575 Bourke Street Melbourne. The fund also holds a 39% interest in the One Alfred Street, Sydney joint venture.

The properties in the V Plus Australia fund were valued by external valuers at various dates between June 2010 and April 2011. However due to confidentiality KPMG has not been able to access these valuation reports and has therefore relied upon the book value for determining the value of these investments.



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11.5 European investment management

Valad has structured its European investment management business such that Valad Capital Limited has a wholly owned subsidiary (Valad (Europe) plc) and a 50% interest in the DUKE joint venture. This structure is summarised in Section 9.6. Valad (Europe) plc operates the funds management business, has co-investments in some of the funds managed by the business and also has some development properties. Set out in the table below is a summary of the valuation of these various components.

Table 21: Valuation of European investment management business

| | Valuation | Assessed value | |
|---------------------------------------|-------------------------|----------------|------------|
| £ million | Methodology | Low value | High value |
| Co-investments and development assets | Book value | 17.9 | 17.9 |
| Funds management business | Earnings Capitalisation | 33.3 | 39.9 |
| Enterprise value | | 51.2 | 57.8 |
| Less: Net debt | Book value | (2.9) | (2.9) |
| Less: DUKE joint venture | Book value | (8.8) | (8.8) |
| Equity value (£) | | 39.5 | 46.1 |
| Equity value (\$) ¹ | | 60.1 | 70.1 |

Source: KPMG

Note 1: 1 GBP = 1.52 AUD (9 May 2011)

Set out below is a summary of each of the valuations.

11.5.1 Co-investments and development assets

Set out in the table below is a summary of the values for co-investments and development assets.

Table 22: Valuation of co-investments and development properties

| | Valuation | Assessed value | |
|--|-------------|----------------|------------|
| £ million | Methodology | Low value | High value |
| Co-investments | Book value | 16.4 | 16.4 |
| Development properties | Book value | 1.5 | 1.5 |
| Value of co-investments and development properties | | 17.9 | 17.9 |

Source: KPMG

The European business has seven co-investments and three development properties. The co-investments are summarised in Section 9.6.1 and the development properties in Section 9.4. The values in the table above reflect the book values at 31 December 2010. KPMG has relied upon the book values for the following reasons:

- the business has recently been subject to a management buy-out and the offer was not materially different to the book value of the business
- the value of the co-investments and development properties is not sufficiently material that a 10% adjustment to the values would result in a material change to the valuation of Valad.





11.5.2 Funds management business

The European investment management business has a funds management operation that is one of the largest real estate investment managers in Europe. At 31 December 2010 the business managed £4.2 billion of assets in 14 funds/mandates in Europe on behalf of 60 international institutional investors and banking partners. A detailed overview of the business can be found in Section 9.6.

KPMG has valued the European funds management business using an earnings capitalisation methodology, as summarised in the table below.

Table 23: Valuation of European funds management business

| | Assessed value | |
|-------------------|----------------|------------|
| £m | Low value | High value |
| Normalised EBITDA | 6.7 | 6.7 |
| EBITDA multiple | 5.0x | 6.0x |
| Enterprise Value | 33.3 | 39.9 |

Source: KPMG analysis

Based on the calculation above KPMG considers the enterprise value of the European funds management business to be between £33.3 million and £39.9 million. In selecting an appropriate multiple by which to value this business, KPMG has incorporated a premium for control.

In the remainder of this section we outline the methodology adopted and explain the inputs applied in our valuation.

Methodology

In selecting an appropriate valuation methodology to value the European funds management business, KPMG has considered the methodologies outlined in RG 111 as well as generally accepted valuation methodologies, comprising:

- capitalisation of earnings
- · discounted cash flow
- net assets or cost based
- industry specific methods
- any previous offers.

Each methodology is appropriate in certain circumstances. The decision as to which methodology to apply generally depends on the nature of the business being valued and the availability of appropriate information. Each methodology is discussed further in Appendix 6.



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KPMG considers the most appropriate methodology to be adopted in valuing the European funds management business is the capitalisation of earnings methodology. This methodology is preferred as:

- · there are no board approved long term forecasts
- there are sufficient comparable companies available to determine an appropriate earnings multiple
- the business has existed for a sufficient amount of time to understand the trend of earnings.

Set out below are the various inputs required in order to apply the earnings capitalisation methodology.

Selection of earnings measure

We have selected earnings before interest, tax, depreciation and amortisation (EBITDA) as the earnings base for our primary valuation methodology after considering the following factors:

- participants in the funds management/property investment sectors have varying levels of gearing
- participants are from varying tax jurisdictions and therefore tax incurred is specific to each participant and should be excluded to maintain comparability
- participants have varying degrees of tangible and intangible assets and as a result different levels of depreciation and amortisation charges.

It is common to have regard to a maintainable level of earnings in applying the capitalisation of earnings methodology. A maintainable level of earnings is considered to be the level of earnings below which, in the absence of unforeseen and exceptional circumstances, the income stream is unlikely to fall. The level of maintainable earnings is influenced by a number of factors, including the trend and consistency of historical performance, the stage of development of the business and the extent to which one-off or non-recurring transactions are reflected in the financial statements.

Estimate of maintainable earnings

In determining an appropriate level of maintainable earnings for the European funds management business, we have had primary regard to:

- the historical financial performance for FY10 and 1H11
- appropriate normalisation adjustments
- new mandates won/lost post 31 December 2010
- · discussions with management.





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Set out in the table below is a calculation of the maintainable earnings.

Table 24: Maintainable EBITDA calculation

| | FY10 | 1H11 | FY11 |
|-----------------------------------|--------|--------|------------|
| £m | Actual | Actual | Annualised |
| Underlying EBITDA | 8.2 | 4.6 | 9.2 |
| Deduct: Normalisation adjustments | - | - | (2.5) |
| Maintainable EBITDA | 8.2 | 4.6 | 6.7 |

Source: Annual reports, Valad management, KPMG analysis

In relation to the table above we note:

- the underlying EBITDA for FY11 (Annualised) has been calculated by doubling the EBITDA result for the first half of FY11
- the normalisation adjustment comprises an operating cost and Kefren mandate adjustment. The operating cost adjustment represents costs that were not incurred in the first half of the year but will be incurred in the second half. The Kefren mandate adjustment has been made to reflect the loss of profit that will result from the termination of the Kefren management agreement, as announced by Valad in April 2011.

As outlined above, we have assessed the maintainable EBITDA for the European funds management business to be £6.7 million.

Selection of an EBITDA multiple

The multiple applied in a capitalisation of earnings methodology should reflect the return expected by an investor in the business. In determining the appropriate multiple to apply to the maintainable EBITDA above, KPMG has considered:

- historical and forecast EBITDA trading multiples of potentially comparable listed companies
- acquisition multiples implied by recent transactions involving potentially comparable listed companies.

Set out below is an analysis of these multiples.

Trading multiples of potentially comparable listed companies

In selecting an appropriate multiple for Valad Europe we have considered potentially comparable listed companies in the following sectors:

- property fund managers with portfolios in the UK and Europe
- UK and European Fund managers who invest in property.





Set out in the table is a summary of the average trading EBITDA multiples for UK and European fund managers who have some funds invested in property. Refer to Appendix 3 for further detail.

Table 25: Potentially comparable trading multiples

| Potentially comparable trading multiples | FY10 | FY11 |
|---|------|------|
| UK and European fund managers who manage property | 9.9x | 9.0x |
| Source: KPMG analysis | | |

The table above does not include property fund managers with portfolios in Europe as the one company identified, Invista Real Estate Investment Management, which KPMG considers to be the most comparable listed company, announced in December 2010 that notice of termination had been received in relation to its largest mandate by AUM and revenue. As a result we have considered the trading multiple of this company prior to the announcement, which was an EBITDA multiple of between 8.0 to 9.0 times.

Our selection of comparable companies included mostly fund managers who manage funds that are invested in property in the UK and Europe directly or via an investment management arm. We consider these companies to be comparable as the method of revenue generation is from fund management fees, similar to that of the European funds management business.

The share price of a listed company represents the market value of a minority interest in that company and does not include a premium for control. As we are valuing the whole of the European funds management business, the multiple applied must include a control premium. On average, based on empirical evidence, control premiums are between 25% to 40% based on equity.

Transaction multiples of potentially comparable companies

In Appendix 4 we have analysed transactions involving listed property fund management businesses. The majority of the transactions analysed included property groups that had diversified operations, making comparability difficult. As such we were only able to identify three transactions that involved businesses that we consider to be comparable to the European funds management business. Two of these transactions included EBITDA multiples which were between 7.5 and 10.7 times.

In recent times there have been a number of property related transactions in Australia that included the purchase of management rights. Generally the management rights were only for the fund being acquired but we still consider these transactions to be relevant for our analysis. A summary of these transactions is also included in Appendix 4. Unfortunately these transactions did not provide sufficient publicly available data to calculate EBITDA multiples but they did provide sufficient data to calculate the purchase price as a percentage of AUM.

Conclusion on applied multiple

The trading multiples of potentially comparable companies range between 9.0 to 9.9 times whereas the transaction multiples range between 7.5 and 10.7 times. However, an adjustment needs to be made to this multiple range for the specific characteristics of the business being valued and in relation to the trading

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multiples to reflect that they exclude any control premium. Set out below is a summary of the factors that need to be considered when adjusting the multiple:

- 52% of AUM⁷ will expire in the next five years
- the uncertainty in the European business that has resulted from the unsuccessful MBO that was announced in December 2010
- the uncertainty as to whether the European business can establish new funds to replace the existing funds/mandates that will expire in the next few years
- many of the funds managed by Valad are highly geared and if refinancing efforts are not successful, assets from these funds may need to be disposed of, therefore reducing total AUM
- we understand that DUKE is highly geared and this may lead to asset sales and a further reduction in AUM
- it is highly probable that a sale will require the endorsement of Lloyds as it is the prime lender to the DUKE JV as well as other funds managed by the business
- comparable trading and transaction multiples businesses are more diverse and the companies are of a much larger size than the European funds management business.

Considering the above factors, we believe an appropriate multiple to be applied in valuing the European funds management business is in the range of 5.0 to 6.0 times.

Cross check of primary methodology

In order to cross check our primary valuation, we have compared the equity value/AUM ratio implied by our valuation with the equivalent ratio of potentially comparable listed companies and transactions. In addition we have also compared our equity value with that implied by the recent unsuccessful MBO.

Equity value/AUM

The valuation of the European funds management business implies an equity/AUM percentage of between 0.6% and 0.8%. In comparing this percentage to potentially comparable listed companies and transactions, we consider the transactions relating to property funds management rights to be most comparable. A summary of these transactions is provided in Appendix 4. The transactions imply equity/AUM percentages of between 0.45% and 2.00% with an average of 1.2%. The ratios implied by

⁷ AUM adjusted for the loss of Kefren

 $^{^8}$ Calculation based on AUM of £3.8 billion, being the AUM at 31 December 2010 adjusted to exclude the AUM relating to Kefren



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this valuation fall within this range. We do not consider it unreasonable that the ratios implied by this valuation are below the average for the various reasons noted in Section 11.5.3.

Proposals to acquire the business

On 16 December 2010 Valad received an indicative and incomplete proposal from management to acquire the whole of the European business. Subsequent to receiving the offer Valad engaged advisers to manage a formal sales process which resulted in a number of proposals being received in April 2011. The offers received support the valuation range adopted in this report.

On this basis, we believe the various cross-check calculations support the valuation range determined using our primary earnings capitalisation methodology.

11.5.3 Net debt

At 31 December 2010 the European business had gross debt of £10.3 million and cash of £7.4 million. Neither of these balances have changed materially since 31 December 2010.

11.5.4 DUKE joint venture

Valad has a 50% interest in a joint venture called DUKE. DUKE has an 83% interest in V+ Germany and also has interests in other joint ventures. A summary of the DUKE joint venture is provided in Section 9.6.2

At 31 December 2010 the DUKE joint venture had a deficiency of assets of £147.8 million. As such the interest in the joint venture has no value. However, as part of the joint venture Valad has an obligation to contribute a further \in 10 million (£8.8 million) to DUKE, \in 5 million of this being due in June 2011 and the remaining \in 5 million due next year.

11.6 Corporate costs

Valad's unallocated corporate costs are budgeted to be approximately \$16 million per annum. This estimate excludes costs associated with the Australian funds management business as Valad has announced its intention to exit this business.

The valuation of Valad's assets do not reflect these corporate costs and therefore a separate allowance has been made to account for this additional cost which would be incurred assuming that the business continues as a going concern. KPMG has applied a capitalisation rate of 5.0 to 6.0 times to the budgeted annual costs to incorporate a capitalised value in the sum-of-the-parts valuation. In this regard we have considered the likelihood that this cost base will reduce over time.

⁹ 1 EURO = 0.88 GBP (9 May 2011)



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11.7 Debt

Set out in the table below is a summary of the net debt of Valad, excluding the net debt of the European business which has been included in the valuation of the European investment management business.

Table 26: Net debt of Valad

| Creditor | \$m |
|-------------------------------|------------|
| Australian investment pool | 190.4 |
| Convertible note | 186.9 |
| Noosa | 59.5 |
| Pentridge | 26.0 |
| Townsville apartments | 8.0 |
| Australian corporate facility | 16.6 |
| Less: Cash | $(55.9)^1$ |
| Total corporate net debt | 431.5 |

Source: KPMG Analysis

Note 1: Cash at 31 December 2010 (excluding European business cash) less \$7.0 million of debt repayments thereafter

Set out in the table above is the current debt and cash balances (excluding cash in the European business as this is included in Section 11.5.3). Since 31 December 2010 the convertible note has had an additional \$7.0 million repaid, resulting in the equivalent reduction in cash. In addition, where there is a change of control transaction, the convertible note liability increases by 1%. As such we have adjusted the convertible note liability to incorporate both these items. The other balances are in line with their book values at 31 December 2010.

11.8 Number of securities on issue

At 11 May 2011, Valad had 115.1 million fully paid securities and 2.1 million options on issue. As part of the Scheme Valad expects to issue 0.7 million new securities resulting in income of approximately \$0.2 million. KPMG has included the additional 0.7 million securities in the valuation but has made no adjustment for the income that is expected to be received as the amount is not material.

11.9 Cross-check of primary valuation methodology

In order to assess the reasonableness of our assessed value per Valad security derived from our analysis, we have completed a cross-check by:

- analysing the recent trading history of Valad securities
- comparing the earnings multiples implied by our valuation with those of comparable listed A-REITs/companies.



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11.9.1 Analysis of Valad security price on the ASX

The share market generally provides an objective measure of the market value of an entity's securities provided that there is an active, well informed market for the securities and that there are no abnormal factors reflected in market prices, such as takeover speculation.

We note that prior to the Scheme announcement, Valad securities were trading at a significant discount to its underlying NTA value as discussed in Section 9.10.6. However, we consider that trading in the securities of Valad prior to the Scheme announcement is a reasonable cross-check to our assessment of the underlying value of Valad securities since this discount is likely to persist in the short to medium term due to the high level of gearing in the company and the lack of distributions.

In addition, we consider the recent trading in Valad securities to be appropriate for the purpose of assessing the reasonableness of our valuation given over the six month period to 27 April 2011, approximately 44 million Valad securities were traded, equating to 38% of Valad's total issued capital. This compares favourably with other A-REITS that are considered liquid (Dexus, Mirvac, GPT, Stockland) who had 48% to 64% of their issued capital traded. As such we consider the Valad security to be liquid.

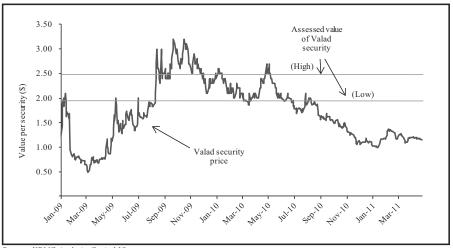
We therefore consider recent trading in Valad to be a fair basis for cross-checking our estimate of the fair market value per Valad security.

Analysis of recent trading in Valad securities

A comparison of recent trading in Valad securities to our assessed value per Valad security is set out in the figure below.



Figure 18: Comparison of Valad security price with assessed value up to 27 April 2011



Source: KPMG Analysis, Capital IQ

In relation to the diagram above:

- from August 2009 to August 2010 the security price traded in a range that is not too dissimilar to that calculated by KPMG
- between January 2009 and June 2009 and after January 2010 the trading price has been below the value per security calculated by KPMG. Possible reasons for this include:
 - that trades are those of minority parcels
 - the large write downs to property values made by the company
 - the high level of gearing of the company post the asset write downs
 - the lack of distributions.

As set out in the diagram above, Valad's security price has traded within our valuation range for approximately half the period analysed and since August 2010 has traded below our range. Considering the factors notes above, we do not consider it unreasonable that the security price has traded below our valuation range in the past 12 months.

In the absence of the Scheme, or an alternative control transaction, we would expect Valad will continue to trade at a significant discount to its NTA for at least the near term unless significant improvement occurs in the A-REIT sector and Valad's risk and return profile as perceived by the market.



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11.9.2 Earnings and asset based multiples

As a secondary cross-check to our primary methodology, we have compared the EBITDA multiple implied by KPMG's valuation of a security in Valad with those of potentially comparable listed A-REITs/companies (refer to Appendix 3 for further detail), as set out in the table below.

Table 27: EBITDA multiple cross-check

| | Historical | Forecast |
|---|-------------|-------------|
| KPMG valuation | $13.9x^{1}$ | $14.9x^{2}$ |
| Listed A-REITs/companies – Mean (excluding control premium) | $13.3x^{3}$ | $13.2x^{3}$ |

Source: KPMG Analysis

Note 1: Based on a mid-point enterprise value of \$682 million as per Section 11.1 and an EBITDA of \$48.9 million as reported in the income statement in Section 9.7

Note 2: Based on a mid-point enterprise value of \$682 million as per Section 11.1. EBITDA is based on the reported EBITDA for 1HFY11 extrapolated to a full year

1HFY11, extrapolated to a full year
Note 3: These multiples do not include a control premium (refer to Appendix 3 for further detail)

The multiples of the listed A-REITs/companies in Appendix 3 do not include a premium for control, which generally are in the range of 25% to 40% based on an equity value. Adjusting these multiples for a control premium would result in the multiples implied by the KPMG valuation being slightly lower than the trading multiples. We do not consider this unreasonable considering the current financial position of Valad and its growth outlook.

On this basis, we believe the various cross-check calculations support the valuation range determined using our primary methodologies.



Appendix 1 - KPMG Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG are Ian Jedlin and Shaun Bettman.

Ian is a Partner of the KPMG Partnership and an Executive Director of KPMG. Ian is an Associate of the Institute of Chartered Accountants in Australia, a Fellow of the Financial Services Institute of Australasia and holds a Master of Commerce from the University of New South Wales. Ian has had in excess of 20 years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Shaun is a Director of the KPMG Partnership. Shaun is an Associate of the Institute of Chartered Accountants in Australia, holds a Postgraduate Diploma of Applied Finance and Investment from the Financial Services Institute of Australasia and holds a Bachelor of Commerce Degree from the University of Sydney. Shaun has had in excess of ten years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG's opinion as to whether the Scheme are in the best interests of and are fair and reasonable to Valad securityholders. KPMG expressly disclaims any liability to any Valad securityholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG provided draft copies of this report to management of Valad for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG as stated in this report.

Consent

KPMG consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to the securityholders of Valad. Neither the whole nor the any part of this



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report nor any reference thereto may be included in any other document without the prior written consent of KPMG as to the form and context in which it appears.

Indemnity

Valad has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership against any and all losses, claims, costs, expenses, actions, demands, damages, liabilities or any other proceedings, whatsoever incurred by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership in respect of any claim by a third party arising from or connected to any breach by you of your obligations.

Valad has also agreed that KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership shall not be liable for any losses, claims, expenses, actions, demands, damages, liabilities or any other proceedings arising out of reliance on any information provided by you or any of your representatives, which is false, misleading or incomplete. Valad has agreed to indemnify and hold harmless KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership from any such liabilities we may have to you or any third party as a result of reliance by KPMG, the KPMG Partnership and/or KPMG entities related to the KPMG Partnership on any information provided by you or any of your representatives, which is false, misleading or incomplete.

Professional standards

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG and the individuals responsible for preparing this report have acted independently. KPMG was remunerated via a fixed fee amount, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, KPMG has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report.



Appendix 2 – Summary of Valad's property portfolio

| Property | | | | | | | Book value | Jo % | |
|--|-------|-------------|-------------|-----------|------|------|---------------------|---------------------|--------|
| | | | Acquisition | Valuation | Cap | WALE | 31 Dec 10 portfolio | portfolio | |
| Office portfolio | State | Country | Date | Date | Rate | yrs | \$m | \$m by value Valuer | Valuer |
| 207 Pacific Highway, St Leonards (50%) | NSW | Australia | Aug-04 | Dec-10 | 7.7% | 4.2 | 62.0 | 10.9 JLS | JLS |
| Riverside Corporate Place, North Ryde | NSW | Australia | Oct-05 | Dec-10 | 8.2% | 3.2 | 60.1 | 10.6 | JLS |
| 34 Shortland Street, Auckland | , | New Zealand | Dec-07 | Dec-10 | 9.5% | 4.2 | 20.8^{1} | 3.7 | Coll |
| 370 Queen Street, Brisbane | QLD | Australia | Oct-07 | Dec-10 | 8.6% | 2.3 | 19.7 | 3.5 | DTZ |
| 502 Flinders Street, Townsville | QLD | Australia | Jun-09 | Dec-10 | 8.2% | 2.9 | 10.4 | 1.8 | HTW |
| Total Office | | | | | | | 173.0 | 30.4 | |

Lotal Office

Note 1: NZD valuation at 31 December 2010 was \$27.4 million, translated at 31 December 2010 rate of 1.3149

| Property | | | | | | | Book value | Jo % | |
|----------------------------------|-------|-----------|-------------|-----------|------|------|---------------------|--------------------|-------------|
| | | | Acquisition | Valuation | Cap | WALE | 31 Dec 10 portfolio | portfolio | |
| Bulk Goods portfolio | State | Country | Date | Date | Rate | yrs | Sm | Sm by value Valuer | Valuer |
| Home Central, Bankstown | NSW | Australia | Mar-05 | Dec-10 | 8.7% | 5.2 | 38.0 | 6.7 | KF |
| Bath Road, Kirrawee | NSW | Australia | Aug-08 | Dec-10 | 7.5% | 10.4 | 31.8 | 5.6 | JLS |
| Home Central, McGraths Hill | MSM | Australia | Dec-04 | Dec-10 | %0.6 | 4.1 | 25.0 | 4.4 | JLS |
| 555 Kessels Road, Macgregor | QLD | Australia | Dec-07 | Dec-10 | %0.6 | 5.3 | 23.0 | 4.0 | KF |
| 280-290 Benalla Road, Shepparton | VIC | Australia | Jan-07 | Dec-10 | 9.7% | 2.4 | 18.0 | 3.2 | 3.2 Savills |
| Total Bulky Goods | | | | | | | 135.8 | 23.9 | |

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| Other portfolio State Country Date Date San by value Value Sheraton Noosa – Hotel¹ QLD Australia Oct-07 May-10 85.8² 15.1 CBRE Townsville Central Apartments – Residential¹ QLD Australia Jun-09 May-09 Dec-08 14.2² 2.5 HTW Total Other Total Other 103.0 18.1 | Property | | | | | Book value % of | Jo % | |
|---|--|-------|-----------|-------------|-----------|-----------------|-----------|--------|
| State Country Date Date QLD Australia Oct-07 May-10 Resi & retail QLD Australia Jun-09 May-10 QLD Australia May-09 Dec-08 | | | | Acquisition | Valuation | 31 Dec 10 | portfolio | |
| QLD Australia Oct-07 May-10 85.8² -Resi & retail¹ QLD Australia Jun-09 May-10 14.2² QLD Australia May-09 Dec-08 2.9² 103.0 | Other portfolio | State | Country | Date | Date | Sm. | by value | Valuer |
| Resi & retail¹ QLD Australia Jun-09 May-10 14.2² 2.5 QLD Australia May-09 Dec-08 2.9² 0.5 103.0 18.1 | Sheraton Noosa – Hotel ¹ | QLD | Australia | Oct-07 | | 85.82 | | CBRE |
| QLD Australia May-09 Dec-08 2.9 ² | Townsville Central Apartments-Resi & retail ¹ | QLD | Australia | 90-unf | May-10 | 14.2^{2} | | MTW |
| | Itara Apartments – Residential ¹ | QLD | Australia | May-09 | Dec-08 | 2.92 | | HTW |
| | Total Other | | | | | 103.0 | 18.1 | |



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| Property | | | | | | | Book value | Jo % | |
|--|-------|-------------|-------------|-----------|-------|------|-------------------|-----------|---------|
| | | | Acquisition | Valuation | Cap | WALE | 31 Dec 10 | portfolio | |
| Industrial portfolio | State | Country | Date | Date | Rate | yrs | 8m | by value | Valuer |
| Australia | | | | | | | | | |
| McCredie Street, Smithfield | NSW | Australia | Aug-07 | Dec-10 | 9.3% | 5.6 | 19.3 | 3.4 | Savills |
| 65-75 Strezlecki Avenue, Sunshine | VIC | Australia | Nov-07 | Dec-10 | %0.6 | 6.4 | 16.8 | 3.0 | M3P |
| Newton Road, Wetherill Park | NSW | Australia | Jul-06 | Dec-10 | %0.6 | 2.5 | 14.0 | 2.5 | Coll |
| Boundary Road, Richlands | QLD | Australia | Oct-05 | Dec-10 | 9.5% | 1.9 | 12.3 | 2.2 | Savills |
| 991 Mountain Highway, Boronia | VIC | Australia | Nov-07 | Dec-10 | 9.5% | 3.8 | 10.0 | 1.8 | CBRE |
| Malta & Seville Street, Fairfield | NSW | Australia | Aug-07 | Dec-10 | 10.3% | 5.6 | 8.9 | 1.6 | Savills |
| 21 Metroplex Avenue, Murarrie | QLD | Australia | Aug-07 | Dec-10 | %0.6 | 1.3 | 7.8 | 1.4 | Savills |
| 80-100 Fulton Drive, Derrimut ¹ | VIC | Australia | Nov-07 | Dec-10 | n/a | n/a | 9.7 | 1.3 | Coll |
| Eurora Street, Kingston | QLD | Australia | Aug-07 | Dec-10 | %0.6 | 5.6 | 6.4 | 1.1 | DTZ |
| 17-21 Strezlecki Avenue, Sunshine | VIC | Australia | Dec-07 | Dec-10 | %0.6 | 5.8 | 5.3 | 0.0 | Coll |
| Total Australia | | | | | | | 108.3 | 19.0 | |
| New Zealand | | | | | | | | | |
| 20 Mahunga Drive, Mangere | | New Zealand | Aug-07 | Dec-10 | 9.5% | 5.7 | 18.5 ² | 3.3 | CBRE |
| 196 Browns Road, Manukau | | New Zealand | Aug-07 | Dec-10 | 9.4% | 5.7 | 11.6^{2} | 2.0 | CBRE |
| 862 Great South Road, Penrose | | New Zealand | Aug-07 | Dec-10 | 9.4% | 5.7 | 11.2 ² | 2.0 | CBRE |
| 11 Tararua Road, Levin | | New Zealand | Aug-07 | Dec-10 | 10.4% | 5.7 | 7.42 | 1.3 | CBRE |

Source: Valad Financial Report for the period ended 31 December 2010, pages 26 & 27

Note 1: Current asset – sold April 2011 (settlement date)

Note 2: AUD valuation, NZD valuation at 31 December 2010 was translated at 31 December 2010 rate of 1.3149 Total property portfolio

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CBRE 1.3 9.8 27.6

> 48.6 156.9

11 Tararua Road, Levin Total New Zealand Total Industrial 100.0

568.7

8.7



Appendix 3 - Comparable companies

Table 28: Potentially comparable UK and European property fund managers

| and the state of t | mi faindaid | | | | | | |
|--|-------------|--------|------------|---------|----------|----------|----------|
| Comparable company | Country | Market | Enterprise | ATIM | Market | LTIM | NTM |
| Comparable company | of Listing | Cap. | Value | AOM | Cap./AUM | Multiple | Multiple |
| All amounts in \$m | | | | A\$m | % | | |
| Property fund managers with portfolios in Europe | | | | | | | |
| Invista Real Estate Investment Management Holdings Plc | UK | 134 | 37 | 7,930 | 1.7 | 2.5x | 1.7x |
| Mean (excluding outliers) | n/a | n/a | n/a | n/a | 1.7 | n/a | n/a |
| UK and European Fund Managers who invest in property | _ | | | | | | |
| Polar Capital Holdings Plc | UK | 159 | 131 | 3,582 | 4.4 | 13.5x | 9.9x |
| RAB Capital | UK | 9/ | 13 | 086 | 7.8 | umu | Jmu |
| Aberdeen Asset Management Plc | UK | 3,986 | 1,885 | 279,531 | 1.4 | 8.6x | 9.8x |
| Man Group Plc | UK | 7,246 | 4,847 | 63,407 | 11.4 | 10.4x | 8.6x |
| F&C Asset Management Plc | UK | 610 | 780 | 161,344 | 0.4 | 5.6x | 6.0x |
| Henderson Group Plc | UK | 2543 | 2,475 | 93,939 | 2.7 | 12.4x | 9.9x |
| Liontrust Asset Management Plc | UK | 40 | 12 | 1,970 | 2.0 | hmn | Juu |
| Schroders PIc | UK | 7,481 | 2,209 | 299,966 | 2.5 | 9.6x | 6.3x |
| GAM Holding AG | Europe | 3,525 | 2,718 | 126,384 | 2.8 | n/a | 10.2x |
| VZ Holding AG | Europe | 1,113 | 713 | 8,323 | 13.4 | 12.0x | 11.1x |
| Mean (excluding outliers) | n/a | n/a | n/a | n/a | 2.3 | 9.9x | 9.0x |
| Overall | | | | | | | |
| Mean (excluding outliers) | n/a | n/a | n/a | n/a | 2.2 | 9.9x | 8.0x |

Source: Constant IQ (downloaded on 5 May 2011, data as at 3 May 2011), Company Announcements and Financial Reports
LTM = Last Twelve Months (12 months to December 2010), NTM = Next Twelve Months (12 months to December 2011)
Outliers have been shaded and excluded from the calculation of mean (where specified)
Note 2: Where the company is not traded on the ASX, we have used an exchange rate as per Capital IQ on 3 May 2011

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Table 29: Potentially comparable A-REIT/company trading multiples

| Deckus Property Group 4,307 22% 21,4x 19.3x Commonwealth Property Office Fund 2,217 29% 15.0x 12.9x Charter Hall Office REIT 1,706 16% 10 15.0x Investa Office Fund 1,706 16% 17 12.0x Australand Holdings Limited 1,706 16% 14 12.0x Charter Hall Retail REIT 42% 17 12.0x Abacus Property Group 829 28% 11.4x 12.0x Commell Property Group 664 37% 20.6x 11.4x Deet Limited 57 17 17 11.5x Challenger Diversified Property Group 57 17 11.6x 11.4x 11.5x Growthpoint Properties Australia Aspen Group 57 17 11.4x 11.5x Aspen Group GEO Property Group Limited 7 14 11.6x 11.5x Centuria Capital Limited 17 14 11.4x 11.4x 11.4x 11.4x <tr< th=""><th>A-REIT/Company</th><th>Market Cap. (\$m)</th><th>Gearing % LTM</th><th>EBITDA Multiple LTM</th><th>EBITDA Multiple NTM</th></tr<> | A-REIT/Company | Market Cap. (\$m) | Gearing % LTM | EBITDA Multiple LTM | EBITDA Multiple NTM |
|--|--|-------------------------|---------------------|---------------------------|---------------------------|
| 2,217 29% 15.0x 12 1,706 16% n/a 13 1,706 16% n/a 13 1,696 35% 14.4x 12 1,696 35% 14.4x 12 1,696 35% 14.4x 12 1,696 35% 11.6x 11 829 28% 11.6x 11 829 28% 11.6x 11 829 28% 11.6x 11 840 57% n/a 11 841 21% 23.3x 84 21% 23.3x 84 21% 23.3x 84 21% 23.3x 85 19.0x 87 70% 19.0x 88 25.5x 89 27% 19.0x 80 35% 14.4x 15 10 10 10 10 10 10 10 10 10 10 10 10 10 1 | Dexus Property Group | 4,307 | 22% | 21.4x | 19.3x |
| 1,776 39% n/a 13 1,706 16% n/a 12 1,696 35% 14.4x 12 1,696 35% 14.4x 12 1,696 35% 14.4x 12 1,696 35% 14.4x 12 1,696 35% 11.6x 12 1,696 35% 11.6x 12 1,696 35% 11.6x 12 1,696 37% 20.6x 12 1,696 37% 10.5x 9 1,000 57% n/a 11 1,000 57% 10.0x 1,000 57% 13.3x 15 1,000 57% 13.3x 15 1,000 57% 13.3x 15 1,000 57% 13.3x 17 1,000 57% 13.3x | Commonwealth Property Office Fund | 2,217 | 29% | 15.0x | 12.9x |
| 1,706 16% n/a 12 1,696 35% 144x 12 997 42% n/a 12 829 28% 11.6x 111 829 28% 11.6x 111 829 28% 11.6x 111 829 28% 11.6x 111 820 27% 10.5x 9 831.9x 9 84 21% 23.3x 11.9x 9 84 21% 23.3x 15 84 21.9x 11.9x 15 84 21.9x 23.3x 15 85 0% 13.3x 15 86 21.3x 15 87 10.0x 13.3x 15 88 13.3x 15 89 13 | Charter Hall Office REIT | 1,776 | 39% | n/a | 13.8x |
| 1,696 35% 144x 12 997 42% n/a 12 829 28% 11.6x 111 664 37% 20.6x 19 539 27% 10.5x 9 501 21% n/a 11 400 57% n/a 11 77 41% 23.3x 77 41% 44x 46 76% 3.7x 15 37 70% 19.0x 25 0% 2.5x n/a 35% 14.4x 1 | Investa Office Fund | 1,706 | 16% | n/a | 12.6x |
| 997 42% n/a 12 829 28% 11.6x 11 664 37% 20.6x 11 539 27% 10.5x 5 10 21% n/a 11 400 57% n/a 11 11 11 400 57% n/a 11 11 11 400 57% n/a 11 11 11 400 57% 10.5x 5 11 11 400 57% 10.5 | Australand Holdings Limited | 1,696 | 35% | 14.4x | 12.0x |
| 829 28% 11.6x 111 664 37% 20.6x 19 539 27% 10.5x 9 501 21% n/a 11 400 57% n/a 11 400 57% n/a 11 529 47% 31.9x 9 84 21% 23.3x 77 41% 4.4x 46 76% 3.7x 15 37 70% 19.0x 25 0% 2.5x 1/a 36% 13.3x 1 1/a 36% 13.3x 1 1/a 36% 13.3x 1 1/a 36% 14.4x 1 | Charter Hall Retail REIT | 266 | 45% | n/a | 12.4x |
| 664 37% 20.6x 19 539 27% 10.5x 9 501 21% 10.5x 9 400 57% 10.5x 9 400 57% 10.5x 9 410 57% 10.5x 9 400 57% 10.5x 9 410 57% 10.5x 11 400 57% 10.5 | Abacus Property Group | 829 | 28% | 11.6x | 11.4x |
| 539 27% 10.5x 9 501 21% n/a 11 400 57% n/a 11 259 47% 31.9x 9 84 21% 23.3x 77 41% 4.4x 46 76% 3.7x 15 37 70% 19.0x 25 0% 2.5x n/a 36% 13.3x 1 n/a 36% 13.3x 1 n/a 36% 13.3x 1 | Cromwell Property Group | 664 | 37% | 20.6x | 19.2x |
| \$01 21% n/a 11 400 57% n/a 11 259 47% 31.9x 9 84 21% 23.3x 77 41% 4.4x 46 76% 3.7x 15 37 70% 19.0x 25 0% 2.5x n/a 36% 13.3x 1 n/a 36% 13.4x 1 | Peet Limited | 539 | 27% | 10.5x | 9.8x |
| 400 57% n/a 11 259 47% 31.9x 9 84 21% 23.3x 77 41% 4.4x 46 76% 3.7x 15 37 70% 19.0x 25 0% 2.5x n/a 36% 13.3x 1 n/a 36% 14.4x 1 | Challenger Diversified Property Group | 501 | 21% | n/a | 11.6x |
| 259 47% 31.9x 9 84 21% 23.3x 77 41% 42.3x 77 41% 44.x 46 76% 3.7x 15 37 70% 19.0x 25 0% 2.5x n/a 36% 13.3x 1 n/a 36% 13.3x 1 e ediculation of mean (where specified) | Growthpoint Properties Australia | 400 | 21% | n/a | 11.5x |
| 84 21% 23.3x 77 41% 44x 77 44% 44x 46 76% 3.7x 15 37 70% 19.0x 25 0% 2.5x n'a 36% 13.3x 1 n'a 35% 14.4x 1 | Aspen Group | 259 | 47% | 31.9x | 9.8x |
| 77 41% 44x 46 76% 3.7x 15 37 70% 19.0x 25 0% 2.5x n/a 36% 13.3x 1 n/a 35% 14.4x 1 | Trafalgar Corporate Group Ltd. | 84 | 21% | 23.3x | n/a |
| 46 76% 3.7x 15 37 70% 19.0x 25 0% 2.5x 1/a 36% 13.3x 1 1/a 35% 14.4x 1 e ecliculation of mean (where specified) | GEO Property Group | 77 | 41% | 4.4x | n/a |
| 37 70% 19.0x 25 0% 2.5x 11/a 36% 13.3x 1 π/a 35% 14.4x 1 ε ediculation of mean (where specified) | Centuria Capital Limited | 46 | %9L | 3.7x | 15.7x |
| 25 0% 2.5x 1/a 36% 13.3x 1 1/a 35% 14.4x 1 1/a mem (where specified) | Trinity Group | 37 | %02 | 19.0x | n/a |
| n/a 36% 13.3x n/a 35% 14.4x e Months e calculation of mean (where specified) | APN Property Group Limited | 25 | %0 | 2.5x | n/a |
| 14.4x Na 35% 14.4x The Months e calculation of mean (where specified) | Mean (excluding outliers) | n/a | 36% | 13.3x | 13.2 |
| Source: CapitallQ downloaded on 22 May 2011 LTM = Last Twelve Months, NTM = Next Twelve Months Outliers have been shaded and excluded from the calculation of mean (where specified) | Median (excluding outliers) | n/a | 35% | 14.4x | 12.4 |
| | Source: CapitallQ downloaded on 22 May 2011 LTM = Last Twebe Months, NTM = Next Twebe Months Outliers have been shaded and excluded from the calculation of mean (where specified) | | | | |

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The following is an overview of the comparable companies listed in the above tables.

Property fund managers with a European property portfolio

Invista Real Estate Investment Management (Invista)

Invista is a UK listed real estate fund management group which manages commercial and residential properties across the UK, Continental Europe and the Asia-Pacific region. Invista reported approximately £5.2 billion of AUM at 31 December 2010.

UK and European Fund Managers who invest in property

Polar Capital Holdings Plc (Polar)

Polar is a UK listed investment management company with operations in the UK and Japan. As at 31 March 2011, Polar reported approximately US\$3.9 billion of AUM.

RAB Capital (RAB)

RAB is a UK listed asset management company with operations in the United Kingdom, Europe and Asia. As at December 2010, RAB reported approximately US\$1.1 billion of AUM.

Aberdeen Asset Management Plc (Aberdeen)

Aberdeen is a UK listed asset management company with operations in the UK, Europe and USA. As at 31 December 2010, Aberdeen reported approximately £183.3 billion of AUM.

Man Group Plc (Man Group)

Man Group is a UK listed investment management business which operates out of the UK. As at 31 December 2010, Man group reported approximately US\$68.6 billion of AUM.

Henderson Group Plc (Henderson)

Henderson is a UK listed asset management business with operations in the UK. As at 31 December 2010, Henderson group reported approximately £61.6 billion of AUM.

Liontrust Asset Management Plc (Liontrust)

Liontrust is a UK listed asset management business with investments in the UK and Europe. As at 31 December 2010, Liontrust reported approximately $\pounds 1.3$ billion of AUM.

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Schroders Plc (Schroders)

Schroders is a UK listed asset management business, offering its services to the UK, America, Europe and Asia Pacific. As at 31 December 2010, Schroders reported approximately £197.0 billion of reported ALIM

GAM Holding AG (GAM)

GAM Holding is a Swiss listed asset management business with operations in Europe, UK, Asia and the Cayman Islands. As at 31 December 2010, GAM Holding reported approximately CHF 117.8 billion of AUM.

VZ Holding AG

VZ Holding is a Swiss listed asset management company with a focus on retirement and pension management. As at 31December 2010, VZ Holding reported approximately CHF 7.8 billion of AUM

A-REIT/ companies

DEXUS Property Group

DEXUS Property Group owns, manages, and develops office, industrial, and retail properties with total assets under management of A\$13.6 billion primarily in Australia and the United States. It also develops and manages office, industrial, and retail properties on behalf of third party investors.

Commonwealth Property Office Fund

Commonwealth Property Office Fund is managed by Colonial First State Property Limited and invests in prime quality office buildings located in central business district and major suburban markets of Australia.

Charter Hall Office REIT

Charter Hall Office REIT is a listed real estate investment trust focused on investing in high grade office buildings predominantly located in major business districts across Australia and the United States.

Investa Office Fund

Investa Office Fund, previously known as ING Office Fund, is a listed real estate investment trust with total AUM of approximately \$2.6 billion, with investments located in core CBD markets in Australia, and select offshore markets in United States and Europe.

Australand Holdings Limited

Australand Holdings Limited operates as a diversified property company primarily in Sydney, Melbourne, South East Queensland, Adelaide, and Perth. It is involved in the development of residential



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land, housing and apartments, development and investment in income producing commercial and industrial properties, as well as provides property management services. Australand trades on the ASX and Singapore Securities Exchange as the one stapled security. Australand Holdings Limited operates as a subsidiary of CapitaLand Residential Limited.

Charter Hall Retail REIT

Charter Hall Retail REIT invests in well located grocery anchored neighbourhood and sub-regional shopping centres together with select household retail centres in Australia, New Zealand, and the United States.

Abacus Property Group

Abacus Property Group is involved in property investment, funds management, property finance, and projects and investments activities in Australia. The company holds a diversified investment portfolio of retail, commercial, industrial properties. In addition, Abacus Property Group develops, originates, and manages off balance sheet funds; engages in mortgage lending and related property financing solutions; and invests in joint venture activities and in securities of other listed and unlisted property trusts.

Cromwell Property Group

Cromwell Group engages in property investment, development, and management operations, as well as in the promotion and management of property related managed investment schemes in Australia. The company also provides funds management and capital raising services for the investment in properties.

Peet Limited

Peet Limited engages in the acquisition, development, management, marketing, and sale of real estate properties in Australia. It is involved in the development of residential land estates and apartments; retirement villages; and commercial properties. The company also engages in the asset and funds management, land subdivision, and land syndication activities. In addition, it offers project management services.

Challenger Diversified Property Group

Challenger Diversified Property Group invests in 29 office, retail, and industrial properties located in Australia (93%) and France. It also engages in property development activities and invests in a car park operating business. The company is based in Sydney, Australia.

Growthpoint Properties Australia

Growthpoint Properties Australia invests in the real estate markets of Australia. It primarily invests in income producing industrial property including traditional assets in the retail, office, and industrial

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sectors; and in a range of non-traditional property assets, such as childcare centres, medical centres, and hospitals.

Aspen Group

Aspen Group operates as a property investment and management company in Australia. The company primarily focuses on acquiring commercial properties, including office, retail, and industrial properties. It also offers managed funds, which provide investment opportunities across various property sectors, including tourist parks, residential land subdivisions, CBD office developments, private hospital developments, and retirement and accommodation villages.

Trafalgar Corporate Group Ltd.

Trafalgar Corporate Group Limited operates as a property investment and development company in Brisbane, Sydney and Adelaide. The Group currently owns a portfolio of five commercial properties located in Brisbane, Sydney, Canberra and one industrial building in Goulburn. The Group is also involved in four development projects involving industrial land sub-division, office/warehouse units, commercial strata offices and high density residential development lots.

GEO Property Group

GEO Property Group is a residential property developer, comprising GEO Property Trust (Trust) and GEO Property Group Limited (Company). The Group is currently intending to sell its investment properties in the 2010 calendar year.

Centuria Capital Limited

Centuria Capital Limited provides various investment and other financial products and services. The company manages unlisted property investment funds. It also offers tax effective bonds, education plans, and home loans, as well as over 50, car, home, and travel insurance products and solutions under agency arrangements. The company was formerly known as Over Fifty Group Limited and changed its name to Centuria Capital Limited on March 14, 2011.

Trinity Group

Trinity Group's core business comprises property funds management and direct property investment in Australia. Trinity Limited owns 50% of Trinity Funds Management Limited, its funds management business.

APN Property Group Limited

APN Property Group Limited operates as a real estate investment manager in Australia and Europe. It engages in real estate investment management for corporate and public superannuation funds, sovereign wealth funds, and high net worth and individual investors.

Appendix 4 - Comparable transactions

The following table outlines comparable transactions involving the acquisition of the property funds management business:

| | Target | Acquirer | Country | Country Percentage Implied acquired EV (A\$m)¹ | Implied EV (A\$m)¹ | EV/ EBITDA (times) | AUM¹ (A\$m) | AUM' AUM/EV (ASm) |
|---------------------------|---|------------------|---------|--|--------------------------|--------------------------|----------------|----------------------|
| Pending | ING Real Estate IM | CB Richard Ellis | Various | n/a | 941 | m/n | 58,844 | 1.6% |
| June 2010 | Cordea Savills | Savills Plc | UK | 36% | 71 | 10.7 | 4,495 | 1.6% |
| ebruary 2010 | February 2010 Protego Real Estate Investors | Cornerstone | UK | 100% | 45 | 7.5 | 2,781 | 1.6% |
| Mean (excluding outliers) | coutliers) | | | | | 9.1 | | 1.6% |

The following table outlines comparable transactions involving the acquisition of property funds management rights:

Table 31: Comparable Transactions – property funds management rights

| | 0 | | | |
|---------------------------|---|-----------|--------------------------------|------------------|
| Date | Management right acquired | Country | Amount paid (ASm) ² | Equity Value/AUM |
| October 2010 | October 2010 Becton Investment Management Limited | Australia | 9 | 0.70% |
| August 2010 | Westpac Office Trust | Australia | 15 | 1.30% |
| June 2010 | Macquarie DDR Trust | Australia | 7 | 0.45% |
| February 2010 | February 2010 Macquarie Group - Real estate management platform | Australia | 108 | 1.50% |
| June 2009 | Macquarie Leisure Trust 1 | Australia | 17 | 2.00% |
| May 2009 | Orchard Industrial Property Fund | Australia | 9 | 0.80% |
| April 2009 | B&B Japan Property Trust | Australia | 22 | 1.00% |
| Mean (excluding outliers) | ig outliers) | | | 1.2% |

Source: MergerMarket, Capital 1Q, Company announcements Note 1: Relates to management rights internalisation Note 2: Converted from its functional currency to Australian dollars as at the announcement of the transaction as per Capital 1Q

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The following is an overview of the transactions outlined in the above tables.

Acquisition of property funds management businesses

CB Richard Ellis Investors, L.L.C. acquires ING Clarion Real Estate Securities, L.P. and ING Real Estate Investment Management

On 15 February 2011, CB Richard Ellis Investors, L.L.C. entered into definitive agreements to acquire ING Clarion Real Estate Securities, L.P. and ING Real Estate Investment Management from ING Investment Management LLC for \$940 million. ING Clarion provides asset management services to pension and profit sharing plans. ING Real Estate Investment Management provides asset management services for real estate. The acquisitions include substantially all of the ING Real Estate Investment Management operations in Europe and Asia, as well as Clarion Real Estate Securities. Under the terms of the agreement, CB Richard Ellis will pay \$330 million for the acquisition of ING Clarion Real Estate Securities and \$610 million for ING Real Estate Investment Management. ING Clarion Real Estate Securities and ING Real Estate Investment Management will operate as independent business units of CB Richard Ellis.

Savillis Plc acquires 36% stake in Cordea Savills LLP

On 30 June 2010, Savillis Plc, a listed UK based property services company, completed its acquisition of a 36% stake in Cordea Savills LLP, a UK based property fund manager offering a comprehensive service on a pooled fund or segregated mandate basis, from a group of investors, for a cash consideration of \$26 million. The transaction was expected to benefit Savills Plc by enabling it to balance its transactional, consultancy and property management activities, and enable Cordea Savills to expand and strengthen its business.

Cornerstone Real Estate Advisers LLC acquires Protego Real Estate Investors LLP

On 17 February 2010, Cornerstone Real Estate Advisers LLC, a US based company providing real estate investment and management services, and a subsidiary of Massachusetts Mutual Life Insurance Company, acquired Protego Real Estate Investors LLP, a UK based real estate fund management business, from Smedvig Capital Limited, for a consideration of \$45 million. As a result of this transaction Protego Real Estate Investors LLP operates as a subsidiary of Cornerstone.

Property funds management rights

Becton Investment Management Limited

On 6 October 2010, Becton Property Group announced that it had entered into a share sale agreement to sell the management rights to its funds management businesses, Becton Investment Management Limited, to 360 Capital Group, a specialist property funds manager. Key elements of the transaction included the transfer of Becton Investment Management including a number of employees, payment of an upfront initial cash payment plus an agreed revenue share over the next three years, a call option to purchase



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Becton Property Group's 58.9% stake in the Becton Diversified Property fund. Becton Investment Management operates a funds management business comprising 14 investment vehicles.

Westpac Office Trust

On 4 August 2010, Mirvac Group completed an acquisition of 100% of the units and instalment receipts of Westpac Office Trust from Westpac Banking Corporation for approximately \$420 million in cash or stock. Under the terms of the offer, Westpac shareholders could elect to receive 0.597 Mirvac stapled securities for every one Westpac share or cash of \$0.86 per Westpac share up to a maximum of \$200 million. As part of the acquisition Mirvac acquired the management rights relating to Westpac Office Trust. Westpac Office Trust invests in leased commercial properties in Australia and New Zealand.

Macquarie DDR Trust

On 18 June 2010, EPN GP, LLC announced the completion of its acquisition of Macquarie Group Limited's 50% interest in Macquarie DDR Management LLC, owner of the Responsible Entity of the Trust, Macquarie DDR Management Limited, for approximately \$7 million. As part of the agreement, Macquarie Group agreed to sell EPN its 2.6% principal unitholding in the Trust. The Trust is to be managed by EDT Retail Management Limited which is a joint venture between EPN GP LLC and the property manager Developers Diversified Realty Corporation.

Macquarie Group - Real estate management platform

On 12 February 2010, Charter Hall Group announced that it had agreed to acquire the majority of Macquarie Group Limited's core real estate management platform. The transaction involves Charter Hall acquiring the management business associated with two listed and three unlisted real estate funds for \$108 million and the majority of Macquarie's holding in three of these funds for \$189 million. The Platform consists of the following real estate funds; Macquarie Office Trust, Macquarie CountryWide Trust, Macquarie Direct Property Fund, Macquarie Martin Place Trust and Macquarie Property Income Fund. In addition, a further \$15 million may be payable subject to an earn-out.

Macquarie Leisure Trust

On 27 August 2009, shareholders of Macquarie Leisure Trust Group, the owner and operator of leisure assets, approved the agreement between the Trust and Macquarie Group to internalise the management of the Trust for \$17 million. The consideration included the payment of all the issued securities in the manager, Macquarie Leisure Management, Macquarie Group waiving its right to FY09 performance fees, the facilitation of smooth transfer of staff and services, and Macquarie satisfying various reimbursable costs for FY09 on behalf of Macquarie Leisure Operations Limited. The Trust was renamed Ardent Leisure after the internalisation.



Orchard Industrial Property Fund

On 18 May 2009, Orchard Property Limited, the responsible entity of the Orchard Industrial Property Fund, the owner and operator of industrial property in Australia, announced it had entered into an Implementation Agreement with Growthpoint Properties Limited to recapitalise and restructure the Fund via a capital raising of \$200 million comprising a \$56 million placement of securities to Growthpoint and a \$144 million rights issue to be underwritten by Growthpoint and the internalisation of the Fund's management to be achieved via the stapling of Fund units to shares in a newly appointed responsible entity. The Fund was subsequently renamed Growthpoint Properties Australia.

Babcock & Brown Japan Property Trust

On 16 April 2009, Babcock & Brown Japan Property Trust announced the contractual close with Babcock and Brown in relation to a transaction to internalise of the management rights of the Trust held by the responsible entity, Babcock & Brown Japan Property Management Limited. Under the terms of the agreement, unitholders of the Trust effectively obtained a convertible note which was to be converted into 100% of the shares in Babcock & Brown Japan Property Management Limited on or before 31 March 2010. The Trust is a listed property trust with a strategy to invest into the real estate market of Japan. Following the economic separation from Babcock and Brown, the Trust changed its name to Astro Japan Property Trust.





Appendix 5 – Equity issues

| | | | | Premiun | n/(Discount | t) to |
|---------------------------------------|-----------|---------|------------|---------|-------------|---------|
| Comparables | Date | Amount | Percentage | Closing | NTA | 10 day |
| | Announced | raised | of Market | price | | VWAP |
| | | (\$m) | Cap | | | |
| Astro Japan Property Group | 18-Mar-11 | 23.6 | 15.9% | 5.8% | (45.3%) | 1.7% |
| Bunning's Warehouse Property Trust | 7-Mar-11 | 149.6 | 17.9% | (2.3%) | (13.3%) | (3.1%) |
| Commonwealth Property Office Fund | 11-Nov-10 | 274.0 | 15.1% | (4.4%) | (24.6%) | (6.1%) |
| CFS Retail Property Trust | 24-Sep-10 | 540.0 | 10.9% | (4.6%) | (7.9%) | (4.9%) |
| ING Real Estate Entertainment | 16-Jul-10 | 36.4 | 211.9% | 1.1% | (81.6%) | 1.5% |
| Brookfield Aust. Opportunities Fund | 10-Jun-10 | 30.4 | 262.9% | 2.0% | (86.8%) | (7.0%) |
| Macquarie DDR Trust | 7-May-10 | 198.9 | 343.2% | (14.1%) | (83.0%) | (18.3%) |
| Lend Lease Corporation Limited | 25-Feb-10 | 806.0 | 18.5% | (18.7%) | 93.0% | (14.8%) |
| Devine Limited | 22-Feb-10 | 54.4 | 43.1% | (50.0%) | (76.0%) | (51.1%) |
| Charter Hall Group | 12-Feb-10 | 195.0 | 34.4% | (13.9%) | 9.1% | (8.6%) |
| Charter Hall Group | 12-Feb-10 | 110.0 | 19.4% | (7.3%) | 17.4% | (1.6%) |
| Cromwell Group | 24-Dec-09 | 73.0 | 14.1% | (5.4%) | (8.4%) | (6.6%) |
| Abacus Property Group | 11-Dec-09 | 91.0 | 14.5% | (3.6%) | (35.5%) | (5.0%) |
| Commonwealth Property Office Fund | 23-Nov-09 | 100.0 | 5.6% | (5.1%) | (20.9%) | (5.0%) |
| ING Industrial Fund | 27-Oct-09 | 700.0 | 102.9% | (20.0%) | (50.0%) | (22.5%) |
| Servcorp Limited | 12-Oct-09 | 79.9 | 24.5% | (3.6%) | 142.4% | 0.5% |
| Valad Property Group | 23-Sep-09 | 22.4 | 8.7% | (37.5%) | (58.3%) | (21.9%) |
| Folkestone Limited | 26-Aug-09 | 8.2 | 95.5% | (44.4%) | (77.9%) | (37.7%) |
| Challenger Diversified Property Group | 6-Aug-09 | 130.0 | 51.4% | (13.0%) | (53.5%) | (10.6%) |
| Goodman Group | 6-Aug-09 | 1,279.0 | 93.9% | (18.4%) | (52.9%) | (16.9%) |
| ALE Property Group | 5-Aug-09 | 76.0 | 33.2% | (42.5%) | (46.4%) | (39.9%) |
| ALE Property Group | 5-Aug-09 | 29.0 | 12.7% | (13.8%) | (19.6%) | (9.8%) |
| Australand | 27-Jul-09 | 475.0 | 51.2% | (20.0%) | (56.5%) | (20.0%) |
| FKP Property Group | 25-Jun-09 | 324.0 | 121.0% | (47.4%) | (87.0%) | (49.7%) |
| ING Office Fund | 17-Jun-09 | 415.0 | 43.0% | (15.7%) | (65.4%) | (20.3%) |
| Mirvac Group | 4-Jun-09 | 1,100.0 | 48.9% | (24.1%) | (59.0%) | (9.4%) |
| Charter Hall Group | 27-May-09 | 76.0 | 39.0% | (12.0%) | (66.0%) | (14.0%) |





Valad Property Group

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| | | | | Premiur | n/(Discount | t) to |
|------------------------------------|-------------------|---------------------------|--------------------------------|------------------|-------------|----------------|
| Comparables | Date Announced | Amount raised (\$m) | Percentage of Market Cap | Closing price | NTA | 10 day VWAP |
| Growthpoint Properties | 18-May-09 | 144.4 | 279.0% | 6.7% | N/A | 7.3% |
| Stockland | 13-May-09 | 1,983.0 | 35.9% | (19.4%) | (32.7%) | (13.8%) |
| GPT Group | 7-May-09 | 1,684.0 | 79.3% | (26.3%) | (75.5%) | (21.9%) |
| Bunning's Warehouse Property Trust | 7-May-09 | 150.0 | 27.8% | (14.0%) | (20.2%) | (15.6%) |
| Dexus Property Group | 22-Apr-09 | 746.0 | 25.6% | (21.2%) | (51.1%) | (19.6%) |
| Lend Lease Corporation Limited | 4-Feb-09 | 303.0 | 10.9% | (12.3%) | 22.0% | (10.6%) |
| Westfield | 3-Feb-09 | 2,900.0 | 12.2% | (13.2%) | (16.9%) | (12.4%) |
| Commonwealth Property Office Fund | 22-Jan-09 | 192.0 | 13.2% | (11.1%) | (43.3%) | (24.2%) |
| Abacus Property Group | 20-Jan-09 | 211.0 | 158.5% | 22.0% | (79.8%) | 8.8% |
| Mean | | 436.4 | 66.5% | (14.5%) | (34.6%) | (14.0%) |

Source: KPMG Analysis, Company announcements



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Appendix 6 – Overview of valuation methodologies

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business ('maintainable earnings') and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include Revenue, EBITDA, EBIT and PAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on share prices reflective of the trades of small parcels of shares. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.





An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted ('the Discount Rate') should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.



Valad Property Group Independent expert report & Financial services guide 26 May 2011

Appendix 7 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

- the Draft Scheme Booklet date 9 May 2011
- the Implementation Deed dated 9 May 2011
- the European Business Management Presentation dated 28 March 2011
- financial reports for the half year ended 31 December 2010
- forecasts for the year ending 30 June 2011
- the Securityholder listing
- independent property valuation reports
- publicly available industry reports
- Capital IQ.

In addition, we have had discussions with the Chairman, Trevor Gerber and various senior management of Valad.

→ TAX REPORT



The Directors of Valad Funds Management Limited and the Directors of Valad Commercial Management Limited as Responsible Entity for Valad Property Trust Level 9, 1 Chifley Square
SYDNEY NSW 2000

26 May 2011

To the Directors

Tax Report

This Tax Report has been prepared for inclusion in the draft Scheme Booklet to be dated on or about 26 May 2011 and provides a general summary of the key Australian tax implications arising for Scheme Participants as a result of the Scheme if it becomes Effective. All capitalised terms in this letter have the meanings set out in the Glossary of this Scheme Booklet, unless noted otherwise. This summary is not intended to be used as a substitute for tax advice to any particular Scheme Participant.

The information below is based on existing tax law and established interpretations as at the date of this letter. Any of these may change in the future without notice and legislation introduced to give effect to announcements may contain provisions that are currently not contemplated.

The tax information provided below applies to Australian tax resident Scheme Participants that hold their Valad Securities on capital account. The Australian tax consequences applicable to foreign tax resident Scheme Participants are briefly addressed. The tax implications arising for Scheme Participants that hold their Valad Securities on revenue account or as trading stock rather than on capital account are not addressed in this letter. Where these circumstances apply it is recommended the Scheme Participant seeks specific tax advice on the implications relevant to their holdings.

The tax treatment may vary according to individual circumstances and Scheme Participants are advised to seek their own tax advice in respect of their participation in the Scheme.

The information contained in this document does not constitute "financial product advice" within the meaning of the Corporations Act. The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act. To the extent that this document contains any information about a

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Australian Resident Scheme Participants

Australian Capital Gains Tax Implications

Should the Scheme be approved as outlined in this Scheme Booklet, Scheme Participants will receive Scheme Consideration of \$1.80 per Valad Security. The consideration will consist entirely of cash, and will be allocated \$0.01 as consideration for disposal of shares in VFML and \$1.79 as consideration for disposal of units in VPT.

The disposal of each Valad Security under this Scheme involves the disposal of two separate assets, being the share in VFML and the unit in VPT. The tax consequences must be worked out separately for each.

The disposal of each share held by Scheme Participants in VFML and each unit held by Scheme Participants in VPT will trigger separate CGT events at the time the shares and the units are disposed of, being the Implementation Date, which is estimated to be 26 July 2011.

On disposal of each share in VFML and unit in VPT, the capital proceeds for each separate CGT event are so much of the Scheme Consideration received as is reasonably attributable to each CGT event. Valad has determined that the apportionment of \$0.01 for the VFML share, and \$1.79 for the VPT unit represents a reasonable apportionment of the Scheme Consideration. Based on this the capital proceeds for disposal of a share in VFML should be \$0.01 and the capital proceeds for disposal of a unit in VPT should be \$1.79.

The capital proceeds for each share and each unit will then need to be compared with the CGT cost base of each share and each unit respectively in order to determine any resulting capital gain or loss. The CGT cost base of each share in VFML will be the amount of the overall purchase price of a Valad Security allocated to the VFML share, together with any





capital costs of acquisition or disposal. Allocation information is made available by Valad on its website as at various dates which Scheme Participants may use as a guide. The CGT cost base of each unit in VPT will be the amount of the overall purchase price of a Valad Security allocated to the VPT unit, together with any capital costs of acquisition or disposal. Further, the CGT cost base of each unit in VPT is required to be reduced by any tax deferred distributions received from VPT in respect of the particular unitholding. Any VFML shares and VPT units acquired prior to the 1 for 20 consolidation in November 2010 will need to have the CGT cost base adjusted to reflect this consolidation.

For each CGT event, if the CGT cost base exceeds the capital proceeds, a capital loss will arise in respect of the CGT event. If the CGT cost base is less than the capital proceeds, a capital gain will arise.

Scheme Participants that are individuals, trustees or complying superannuation entities may be entitled to reduce any capital gain on disposal of their shares or units by a CGT discount factor provided they have held their shares or units for at least 12 months prior to the disposal date of the shares or units. The CGT discount factor is 50% for individuals and trustees and $33^{1/3}$ % for complying superannuation entities. When calculating a discount capital gain, the capital gain should initially be reduced by any other capital losses of the Scheme Participant. If a capital gain remains after utilising any available capital losses, it may be reduced by the discount factor.

Any capital loss that arises may only be offset against any capital gains the Scheme Participant has. Any capital gain or capital loss made by a Scheme Participant will be included in the calculation of their overall net capital gain. Any net capital gain that a Scheme Participant has should be included in their assessable income. Any net capital losses that arise may be carried forward by the Scheme Participant and offset against future capital gains that may arise to the Scheme Participant, subject to any relevant loss carry forward rules being satisfied.

Foreign Resident Scheme Participants

Any capital gain made by a foreign resident Scheme Participant on disposal of their Valad Securities should generally not be subject to Australian CGT where the foreign resident, together with their associates, does not beneficially hold an interest of 10% or more in Valad at the time of the disposal, or throughout a 12 month period within two years prior to the disposal.



If this is not the case, any capital gain realised by a foreign resident on the disposal of the Valad Securities may be subject to Australian CGT. It is recommended that such Scheme Participants obtain their own Australian tax advice in respect of their participation in this Scheme.

Tax implications of the Scheme arising in foreign jurisdictions have not been considered in this letter.

Goods and Services Tax (GST)

There will be no specific GST consequences for Scheme Participants as a result of the disposal of their Valad Securities.

Yours faithfully

PricewaterhouseCoopers

Brian Lawrence

Partner

Ernest Chang

Partner

→ SCHEME IMPLEMENTATION DEED

EXECUTION VERSION

Mallesons Stephen Jaques

Scheme Implementation Deed

2011

Dated 28 APRIL

Valad Funds Management Limited (ABN 89 102 249 294) ("VFML") Valad Commercial Management Limited (ABN 76 101 802 046) ("VCML") as responsible entity of the Valad Property Trust (ARSN 102 618 824) ("VPT")

Acorn FM Trusco Pty Limited (ACN 150 554 251) as trustee for Acorn FM Unit Trust ("Bidtrust")
Acorn FM Holdings (UK) Limited (Company number 7608659) ("Bidco")

Mallesons Stephen Jaques

Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia T +61 2 9296 2000 F +61 2 9296 3999 DX 113 Sydney www.mallesons.com

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→ SCHEME IMPLEMENTATION DEED (continued)

Scheme Implementation Deed

Details

| Parties | VFML, VCMI | L, Bidtrust and Bidco |
|----------|------------|--|
| VFML | Name | Valad Funds Management Limited |
| | ABN | 89 102 249 294 |
| | Address | Level 9, 1 Chifley Square Sydney NSW 2000 |
| | Telephone | +61 2 8257 6600 |
| | Fax | +61 2 8257 6655 |
| | Attention | Company Secretary |
| VCML | Name | Valad Commercial Management Limited as responsible entity of the Valad Property Trust (ARSN 102 618 824) |
| | ABN | 76 101 802 046 |
| | Address | Level 9, 1 Chifley Square Sydney NSW 2000 |
| | Telephone | +61 2 8257 6600 |
| | Fax | +61 2 8257 6655 |
| | Attention | Company Secretary |
| Bidtrust | Name | Acorn FM Trusco Pty Limited (ACN 150 554 251) as trustee for Acorn FM Unit Trust |
| | Address | Suite 2802, Angel Place, 123 Pitt Street, Sydney NSW 2000 |
| | Telephone | +61 2 8016 7200 |
| | Fax | +61 2 8016 7201 |
| | Attention | Company Secretary |
| Bidco | Name | Acorn FM Holdings (UK) Limited (Company number 7608659) |
| | Address | 40 Berkeley Square London W1J5AL |

| | | | United Kingdom |
|-------------------------------|-----------|---|-------------------|
| | Telephone | | +61 2 8016 7200 |
| | Fax | | +61 2 8016 7201 |
| | Attention | | Company Secretary |
| Recitals | A | A The Bidders propose to acquire all of the Valad Stapled Securities on issue by way of Schemes. | |
| | В | Valad and the Bidders have agreed to co-operate with each other in relation to the Schemes on the terms of this deed. | |
| Governing law New South Wales | | outh Wales | |
| Date of deed See Signing page | | gning page | |

→ SCHEME IMPLEMENTATION DEED (continued)

Scheme Implementation Deed

General terms

1 Definitions and interpretation

1.1 Definitions

The following words have these meanings in this deed unless the contrary intention appears.

ACCC means the Australian Competition and Consumer Commission.

Acorn FM Unit Trust means the Acorn FM Unit Trust established under the Bidtrust Trust Deed.

Advisers means, in relation to an entity, its legal and financial advisers.

Affiliate of a party means any person directly or indirectly controlled by the party or any person that is directly or indirectly controlled by another person who controls the party. An Affiliate includes a partnership or other fund or account which is managed by a party; and for the purposes of this definition only "control" of a person means (i) the right to elect or appoint a majority of the directors (or persons or entities performing a similar function) of such person, (ii) the ability to otherwise exercise a majority of the voting rights in respect of that person, or (iii) the ability to otherwise control the management of such person whether by virtue of the terms of its constitutional documents, contractual rights, or otherwise; and "controlled" and "controlling" have a corresponding meaning.

Amount of the Consideration means:

- (a) the amount of any payment in connection with a supply; and
- (b) in relation to non-monetary consideration in connection with a supply, the GST exclusive market value of that consideration as reasonably determined by the supplier.

Announcement means the public announcement concerning the Transaction substantially in the form set out in Schedule 1.

Another Party means, in clause 10.1, where:

- (a) the first mentioned "party" in that clause is VFML or VCML: the Bidders; or
- (b) the first mentioned "party" in that clause is the Bidders: VFML or VCML.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited or Australian Securities Exchange, as appropriate.

Authorised Officer means, in respect of a party, a director or secretary of the party or any other person appointed by a party to act as an Authorised Officer under this deed.

Bidder Break Fee has the meaning in clause 10.8(a).

Bidders means each of Bidtrust and Bidco.

Bidtrust Trust Deed means the trust deed establishing the Acorn FM Unit Trust dated 27 April 2011.

Bidtrust Trust Property has the meaning given to it in the Bidtrust Trust Deed.

Blackstone means Blackstone Real Estate Partners VI-VD L.P.

Blackstone Entity means an entity in the Blackstone Group.

Blackstone Group means the Bidders and its Affiliates.

Blackstone Information means the information regarding, or prepared or provided by, the Bidders as is required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and 74 and Guidance Note 15, as applicable, or is so included, together with all information for which the Bidders are responsible pursuant to clauses 4.1 and 4.2 other than the Independent Expert's Report, Valad Information and, if applicable, any investigating accountant's report and any third party tax advice. For the avoidance of doubt, Blackstone Information does not include information about Valad (except to the extent it relates to any statement of intention relating to Valad following the Effective Date).

Business Day means a day that is not a Saturday, Sunday, bank holiday or public holiday in Sydney, Australia.

Company Scheme means the scheme of arrangement under Part 5.1 of the Corporations Act between VFML and the holders of VFML Shares under which each Scheme Participant's VFML Shares will be transferred to Bidco substantially in the form of Schedule 3 together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.

Company Scheme Meeting means the meeting of holders of VFML Shares convened by order of the Court in relation to the Company Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of such meeting.

Competing Bid means any bona fide proposal or transaction (by any means including by way of takeover bid, scheme of arrangement (other than the Schemes), holder approved acquisition, capital reduction or securities issue or purchase, or business or asset purchase, joint venture, merger or demerger, dual listing or establishment of a new holding company) and that, if completed, would mean one or more persons collectively other than a Blackstone Entity would, or would reasonably be expected to, acquire:

- (a) a Relevant Interest in Valad Stapled Securities of greater than 20% or obtain Control of Valad; or
- a substantial part or material part of the business or assets of Valad Group.

Condition Precedent means each of the conditions precedent contained in Schedule 2.

Confidential Information has the meaning in the Confidentiality Agreement.

Confidentiality Agreement means the agreement with that name between the parties dated 23 March 2011.

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

Controlled Entity means, in relation to an entity, another entity which is a Subsidiary of it, or which is Controlled by it.

Corporate Facility Agent means CBA Corporate Services Pty Ltd and any entity that replaces it as Corporate Facility Agent under and in accordance with the terms of the Corporate Facility Agreement.

Corporate Facility Agreement means the facility provided by Commonwealth Bank of Australia and National Australia Bank pursuant to the Fifth Amended and Restated Sale and Purchase Agreement dated on or about 13 March 2009 between Commonwealth Bank of Australia, National Australia Bank, CBA Corporate Services Pty Ltd, VFML, VCML and others as amended form time to time.

Corporations Act means the Corporations Act 2001 (Cwlth).

Corporations Regulations means the Corporations Regulations 2001 (Cwlth).

Court means a court of competent jurisdiction under the Corporations Act.

Deed Poll means a deed poll substantially in the form of Annexure A to this deed.

Details means the section of this deed headed "Details".

Disclosure Information means information fairly, clearly and accurately disclosed by Valad or its Representatives to the Bidders or their Representatives prior to the date of this deed in the Project Acorn Data Room, in the Management Presentations, in written answers to the Bidders questions provided in the Project Acorn Data Room and in other written information given to the Bidders or any of their Representatives.

Duty means any stamp, transaction or registration duty or similar charge imposed by any Government Agency and includes any interest, fine, penalty, charge or other amount imposed in respect of any of them.

Effective, when used in relation to the Schemes, is all of the following events taking place:

- (a) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Company Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC; and
- (b) the Trust Supplemental Deed Poll (Trust Scheme) taking effect pursuant to section 601GC(2) of the Corporations Act.

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

Encumbrance means any security for the payment of money, including any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or any other security arrangement or any other arrangement having the same effect.

End Date means 23 September 2011 or such later date as may be agreed between the parties.

Exclusivity Period means the period commencing on the date of this deed and ending on the End Date.

First Court Date means the first day on which an application made to the Court, in accordance with item 13(a) of Schedule 5, for orders under section 411(1) of the Corporations Act convening the Company Scheme Meeting to consider the Company Scheme is heard.

First Judicial Advice means confirmation from the Court under section 63 of the *Trustee Act 1925* (NSW) that VCML would be justified in convening the Trust Scheme Meeting and proceeding on the basis that amending the Trust Constitution as set out in the Trust Supplemental Deed Poll (Trust Scheme) would be within the powers of alteration conferred by the Trust Constitution and section 601GC of the Corporations Act.

Government Agency means any governmental, semi-governmental, quasi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity, either domestic or foreign.

GST means a goods and services or similar tax imposed in Australia.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cwlth).

Guidance Note 15 means the document titled "Guidance Note 15: Listed Trusts and Managed Investment Scheme Mergers" issued by the Takeovers Panel.

Implementation Date means the date referred to in the Timetable as the Implementation Date, being the fifth Business Day following the Record Date in the case of the Schemes or such later date as may be agreed by the parties.

Independent Expert means the independent expert to be engaged by Valad to prepare the Independent Expert's Report.

Independent Expert's Report means the report prepared by the Independent Expert to be provided to Valad Securityholders on whether, in the opinion of the Independent Expert, the Schemes are fair and reasonable and in the best interests of Valad Securityholders.

Input Tax Credit has the meaning it has in the GST Act.

A person is **Insolvent** if:

(a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or

- it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property;
 or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this deed); or
- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this deed reasonably deduces it is so subject); or
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction to which the person is subject.

Judicial Advice means the First Judicial Advice and the Second Judicial Advice.

Listing Rules means the Listing Rules of ASX Limited.

Losses means all claims, demands, damages, losses, costs, expenses and liabilities.

Management Presentations means the written and verbal information provided the Bidders or their Representatives by management of the Valad Group from time to time prior to the date of this deed.

Notes means the convertible notes issued by the Valad Group under the following documents:

- (a) Corporate Note Deed Poll dated 4 February 2008; and
- (b) Trust Note Deed Poll dated 4 February 2008.

Notices has the meaning in clause 12.1.

Officers means, in relation to an entity, its directors, officers, and employees.

Project Acorn Data Room means the virtual data room established by Valad and to which the Bidders or their Representatives have had access prior to the date of this deed an index of which has been initialled by the parties for identification on the date of this deed

Recipient has the meaning in the Confidentiality Agreement.

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Record Date means 5.00pm on the fifth Business Day following the Second Court Date or such other date as Valad and the Bidders agree.

Register means the securities register of Valad and **Registry** has a corresponding meaning.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act and to the ASX under Listing Rules 15.1, 15.1.1 and 15.1.7.

Regulatory Approval means any approval or ruling (binding or non binding) of a Regulatory Authority as may be necessary to enable a party to fulfil its obligations under this deed or which the parties agree should be obtained, including approvals or rulings of the Regulatory Authorities specified in Schedule 4.

Regulatory Authority includes:

- (a) ASX or any other stock exchange on which the securities of any party are listed, ACCC or ASIC;
- a government or governmental, semi-governmental or judicial entity or authority;
- a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government;
- (d) any regulatory organisation established under statute;
- (e) the Foreign Investment Review Board of Australia;
- (f) the Australian Taxation Office;
- (g) Commission of the European Union (or such authority referred by such Commission);
- (h) the Financial Services Authority of the United Kingdom;
- (i) the Guernsey Financial Services Commission; and
- (j) any other relevant regulatory authorities.

Regulatory Guide 60 means "Regulatory Guide 60 (Schemes of arrangement)" issued by ASIC on 11 December 2009.

Regulatory Guide 74 means "*Regulatory Guide 74 (Acquisitions agreed to by shareholders)*" rebadged by ASIC as a regulatory guide on 5 July 2007.

Regulatory Review Period means the period from the date on which the Regulator's Draft is submitted to ASIC to the date on which ASIC confirms that it does not intend to make any submissions at the Court hearing on the First Court Date or otherwise object to the Schemes.

Related Bodies Corporate has the meaning given in the Corporations Act except that the term "subsidiary" used in the Corporations Act shall have the meaning ascribed to "Subsidiary" in this document.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Representatives of a party include:

- (a) Related Bodies Corporate of the party;
- (b) each of the Officers, Advisers and agents of the party or any of its Related Bodies Corporate; and
- (c) in the case of the Bidders, includes Blackstone.

Required Notifications, Consents and Approvals has the meaning given in clause 9.4(d).

Schemes means the Company Scheme and the Trust Scheme.

Scheme Booklet means, in respect of the Schemes, the information booklet to be approved by the Court and despatched to Valad Securityholders which will:

- (a) include the Company Scheme, an explanatory statement complying with the requirements of the Corporations Act and notice(s) of meeting and proxy form(s);
- (b) include the notice of meeting to be prepared by VCML for the Trust Scheme Meeting; and
- (c) comply with the Corporations Act, Corporations Regulations, ASIC Regulatory Guides 60 and 74, Guidance Note 15, the Listing Rules and any other applicable law.

Scheme Consideration means, for each Valad Stapled Security held by a Scheme Participant on the Record Date, A\$1.80 allocated as to A\$0.01 for each VFML Share and A\$1.79 for each VPT Unit.

Scheme Meetings means the Company Scheme Meeting and the Trust Scheme Meeting.

Scheme Participants means each person who is a Valad Securityholder at the Record Date.

Second Court Date means the day on which the Court:

- (a) makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Company Scheme; or
- (b) declines to approve the Company Scheme as the requisite voting approval was not received, or otherwise.

Second Judicial Advice means confirmation from the Court under section 63 of the *Trustee Act 1925* (NSW) that VCML would be justified in acting upon the Trust Scheme Resolution in doing all things and taking all necessary steps to put the Trust Scheme into effect.

Stapling Deed means the stapling deed between VFML and VCML as responsible entity of VPT dated 29 October 2002.

Subsidiary in relation to an entity, has the meaning given to that term in the Corporations Act but so that:

- (a) an entity will also be deemed to be a "Subsidiary" of an entity if that entity is required by the accounting standards to be consolidated with that entity;
- (b) a trust may be a "Subsidiary", for the purposes of which any units or other beneficial interests will be deemed shares; and
- (c) a corporation or trust may be a "Subsidiary" of a trust if it would have been a Subsidiary if that trust were a corporation.

Superior Proposal means a Competing Bid that was not solicited, invited or initiated by Valad or any of its Related Bodies Corporate or any of its Controlled Entities or any of their respective Representatives, which the Valad Directors, in good faith and acting reasonably, after consultation with Valad's financial adviser and after receiving advice from reputable external counsel, determine is in their opinion:

- (a) reasonably capable of being completed in accordance with its terms taking into account all aspects of the Competing Bid; and
- (b) more favourable to Valad Securityholders, taken as a whole, than the Transaction, taking into account all terms and conditions of the Competing Bid,

such that the Valad Directors would not in their opinion satisfy their fiduciary and/or statutory duties were they to continue to recommend the Transaction instead of the Competing Bid.

Tax Invoice has the meaning it has in the GST Act.

Timetable means the timetable for implementation of the Schemes attached as Schedule 3.

Transaction means the Schemes.

Trust Constitution means the VPT Constitution.

Trust Property means all of the scheme property of VPT including all VCML's rights, property and undertaking which are the subject of VPT:

- (a) of whatever kind and wherever situated; and
- (b) whether present or future.

Trust Scheme means the arrangements, in accordance with Guidance Note 15, under which Bidtrust acquires all of the VPT Units from each of the Valad Securityholders facilitated by amendments to the Trust Constitution as set out in the Trust Supplemental Deed Poll (Trust Scheme), subject to the requisite VPT members' approval.

Trust Scheme Meeting means the meeting of Valad Securityholders convened pursuant to the VPT Constitution to consider the Trust Scheme Resolution, and includes any adjournment of that meeting.

Trust Scheme Resolutions means the resolutions of Valad Securityholders to approve the Trust Scheme including a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the VPT Constitution as set out in the Trust Supplemental Deed Poll (Trust Scheme), a resolution for the purposes of Item 7 of Section 611 of the Corporations Act and a resolution to provide for the unstapling of VPT Units from the VFML Shares on the Implementation Date, pursuant to clause 13.13 of the VPT Constitution.

Trust Supplemental Deed Poll (Trust Scheme) means deed poll under which VCML will amend the Trust Constitution, substantially in the form contained in Annexure B.

Valad means VFML and VPT.

Valad Board means the board of directors of VCML (in its capacity as responsible entity of VPT) and the VFML Board.

Valad Director means a VFML Director and/or director of VCML.

Valad Group means VFML and VPT and each of their respective Controlled Entities.

Valad Information means all information contained in the Scheme other than the Blackstone Information, the Independent Expert's report, any investigating accountant's report and any third party tax advice, together with all information for which Valad is responsible pursuant to clauses 4.1 and 4.2.

Valad Material Adverse Change means any event, change, matter, thing or condition (or, in the case of a pre-existing event, change, matter, thing or condition, any material worsening thereof) which has occurred or becomes known to the Bidders after the date of this deed and which had, or could reasonably be expected to have (whether now or in the future), a material adverse effect on the businesses, assets, liabilities, financial position, of Valad and its Controlled Entities (taken as a whole), other than:

- (a) an event, occurrence or matter required to be done or procured by Valad pursuant to this deed; or
- (b) an event, occurrence or matter that was:
 - publicly announced by Valad to ASX prior to the date of this deed: or
 - (ii) apparent or reasonably ascertainable by the Bidders or their Representatives from the Disclosure Information.

Valad Material Entities means each of the following companies or trusts:

- (a) VFML;
- (b) VPT;
- (c) Valad Group Holdings Pty Ltd
- (d) Valad Development Management Pty Limited;
- (e) Lot 19 Pty Ltd

- (f) Lot 19 Trust;
- (g) Chapel Road Bankstown Trust;
- (h) Windsor Road Unit Trust;
- (i) Noosa Venture 1 Pty Ltd;
- (j) Noosa Venture Trust;
- (k) 370 Queen Holding Trust;
- (1) 370 Queen Trust;
- (m) NZ Holding Trust No. 1;
- (n) NZ Holding Trust No. 2;
- (o) Auckland Club Tower Trust;
- (p) Depot Holding Trust No. 1;
- (q) Depot Holding Trust No. 2;
- (r) 207 30% Trust;
- (s) 207 20% Trust;
- (t) Valad Select Property Management Limited;
- (u) VCML;
- (v) New Zealand Packaging Plant Trust;
- (w) Plant & Office Holding Trust No. 1;
- (x) Plant & Office Holding Trust No. 2;
- (y) 207 Holdings Trust;
- (z) Valad Select Property Trust;
- (aa) Home Central Trust;
- (bb) Valad Noosa Holding Trust;
- (cc) Australian Packaging Plant Trust;
- (dd) 65 75 Strezlecki Ave Trust;
- (ee) Bridge Street Custodians Pty Limited;
- (ff) Erskine Park Development Trust; and
- (gg) Kessels Road Trust.

Valad Options means 1,363,480 options and 710,607 performance rights granted by Valad to acquire by way of issue no more than 2,074,087 Valad Stapled Securities in aggregate.

Valad Optionholder means a person who is recorded in the register maintained by Valad under section 168(1) of the Corporations Act as the holder of Options.

Valad Prescribed Occurrence means (other than as required or contemplated by this deed), the occurrence of any of the following:

- (a) any Valad Material Entity converts all or any of its shares or units into a larger or smaller number of shares or units;
- (b) any Valad Material Entity resolves to reduce its capital in any way or reclassifies, combines, splits or redeems or repurchases directly or indirectly any of its issued securities or financial products;
- (c) any Valad Material Entity:
 - (i) enters into a buy-back agreement or withdrawal offer; or
 - (ii) resolves to approve the terms of a buy-back agreement or withdrawal offer under the Corporations Act;
- (d) any Valad Material Entity makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) other than to another Valad Entity;
- (e) any Valad Material Entity:
 - issues shares or units (as appropriate) except pursuant to the Valad Options;
 - (ii) grants an option over its shares or units (as appropriate); or
 - (iii) agrees to make such an issue or grant such an option,

in each case to a person other than Valad or another Controlled Entity of Valad (being a Controlled Entity which is wholly owned, directly or indirectly, by Valad or by the relevant issuer or grantor) other than any conversion of the Notes;

- (f) any Valad Material Entity:
 - (i) issues securities or other instruments convertible into shares, units or debt securities; or
 - agrees to issue securities or other instruments convertible into shares, units or debt securities,

in each case to a person other than Valad or another Controlled Entity of Valad (being a Controlled Entity which is wholly owned, directly or indirectly, by Valad or by the relevant issuer);

- (g) any Valad Material Entity adopts a new constitution or modifies or repeals its constitution or a provision of it (other than pursuant to the amendments required for the implementation of the Trust Scheme);
- (h) any Valad Material Entity disposes, or agrees to dispose of the whole or a substantial part of the Valad Group's business, property or undertaking;
- any Valad Material Entity, in respect of any single transaction or series of related transactions:
 - (i) acquires;
 - (ii) agrees to acquire; or
 - (iii) offers, proposes, announces a bid or tenders for,

any business, assets, entity, real property or undertaking the value of which, individually or in the aggregate (across one transaction or a series of related transactions), exceeds A\$5 million and the Bidders' have not consented to the transaction or transactions;

- any Valad Material Entity, in respect of any single transaction or series of related transactions:
 - (i) disposes of;
 - (ii) agrees to dispose of; or
 - (iii) offers for sale,

any business, assets, entity, real property or undertaking the proceeds of which, individually or in the aggregate (across one transaction or a series of related or similar transactions):

- (iv) is equal to or exceeds A\$10 million and the Bidders' have not consented to the transaction or transactions;
- (v) are less than A\$10 million:
 - (A) but more than or equal to the book value of the relevant businesses, assets, entities, real properties or undertakings and Valad has not first consulted with the Bidders or any of their Representatives in relation to the transaction or transactions;
 - (B) and less than the book value of the relevant businesses, assets, entities, real properties or undertakings and the Bidders' have not consented to the transaction or transactions;
- (k) any Valad Material Entity creates, or agrees to create, any new Encumbrance over any of its business or property other than for refinancing, extension or replacing of any existing financing facilities;
- any Valad Material Entity becomes Insolvent, or is wound up or terminated;

- (m) a Valad Material Entity effects or facilitates the retirement, removal or replacement of VCML as trustee or responsible entity of VPT or a meeting is convened in response to a notice (otherwise than a notice signed by or on behalf of a Blackstone Entity) received by VCML requisitioning a meeting of Valad Securityholders to replace VCML as the responsible entity of VPT or a similar event occurs in relation to the trustee of a Valad Material Entity;
- (n) any Valad Material Entity does or omits to do anything that could restrict VCML's right of indemnity from the Trust Property in respect of obligations incurred by VCML under the documents to which it is a party or a similar event occurs in relation to the trustee of a Valad Material Entity;
- (o) any Valad Material Entity effects or facilitates the termination of VPT;
- any Valad Material Entity effects or facilitates the resettlement of the Trust Property;
- (q) Valad ceases to be admitted to the official list of ASX;
- (r) any Valad Material Entity enters into a new loan, advance or financing arrangements, or guarantees or indemnifies the obligations of any other person other than a member of the Valad Group, or materially amends (or waives any material rights under) any existing financing arrangements except extension, refinancing or replacement of any existing facilities provided that any such extension, refinance or replacement does not result in an increase in any existing facility;
- there is a change to the existing accounting policies of Valad Group other than required by law or Valad's auditors;
- (t) a new director, employee, consultant or agent is employed or engaged, who cannot be terminated on payment of not more than 12 months remuneration;
- (u) any Valad Material Entity disposes, or agrees to dispose, of any securities that it holds or controls to a person other than Valad or another Controlled Entity of Valad (being a Controlled Entity which is wholly owned, directly or indirectly, by Valad or by the relevant issuer);
- (v) there is a change to, or termination of, the Stapling Deed or the Valad Stapled Securities cease to be stapled except on accordance with the Schemes;
- (w) enter into, vary or terminate any contract, joint venture, partnership or commitment involving revenue or expenditure of more than A\$10 million per annum; or
- (x) any Valad Material Entity agrees or resolves to do any of the foregoing,

provided that a Valad Prescribed Occurrence will not occur where:

(y) Valad has first consulted with the Bidders or any of their Representatives in relation to the event and the Bidders have (in their sole and absolute discretion) approved in writing the proposed event; or

(z) Valad or its Representatives have disclosed the scope and extent of the occurrence of the relevant event in the Disclosure Information prior to the date of this deed and the event, when it occurs, is materially the same in scope and extent as had been disclosed.

Valad Securityholder means each person registered in the Register as a holder of Valad Stapled Securities.

Valad Stapled Security means a VFML Share stapled to a VPT Unit, in accordance with the provisions of the Stapling Deed and the VFML Constitution, the VPT Constitution.

VFML means Valad Funds Management Limited (ABN 89 102 249 294).

VFML Board means the board of directors of VFML.

VFML Director means a director of VFML.

VFML Constitution means the constitution of VFML, as amended.

VFML Share means a fully paid ordinary share in VFML.

VFT means Valad Fields Trust.

V Plus means Valad Core Plus Fund.

VPT means Valad Property Trust (ARSN 102 618 824).

VPT Constitution means the constitution that established VPT dated 11 October 2002, as amended.

VPT Unit means a fully paid ordinary unit in VPT.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this deed to:

- (a) **(variations or replacement)** unless otherwise specified, a document (including this deed) includes any variation or replacement of it;
- (b) (clauses, annexures and schedules) a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this deed;
- (c) (reference to statutes) 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;
- (d) (law) law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) (singular includes plural) the singular includes the plural and vice versa:

- (f) (person) the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association (including a trust), or any Regulatory Authority;
- (g) (executors, administrators, successors) a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) (two or more persons) an agreement, representation or warranty in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (i) (jointly and individually) an agreement, representation or warranty by two or more persons binds them jointly and each of them individually;
- (j) (reference to a group of persons) a group of persons or things is a reference to any two or more of them jointly and to each of them individually;
- (k) (Australian currency) Australian dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (1) (United States currency) US dollars or US\$ is a reference to the lawful currency of the United States of America;
- (m) (calculation of time) a period of time dating from a given day or the day
 of an act or event, is to be calculated exclusive of that day;
- (n) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (accounting terms) an accounting term is a reference to that term as it is
 used in accounting standards under the Corporations Act, or, if not
 inconsistent with those standards, in accounting principles and practices
 generally accepted in Australia;
- (p) (meaning not limited) the words "including", "for example" or "such as" when introducing an example, does not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (q) (time of day) time is a reference to Sydney time.

1.3 Next Business Day

If an event under this deed must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.

1.4 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this deed.

1.5 Reasonable endeavours

An obligation requiring a party to use reasonable endeavours does not require a party to:

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- (a) pay financial compensation or valuable consideration or other incentive (except for the payment of fees for filing applications for regulatory approvals or advisers' fees); or
- (b) commence or participate in any legal proceedings, except in accordance with clause 3.10(b).

1.6 Knowledge

A reference in clause 9.4 to the knowledge of Valad means the knowledge of Valad, its Controlled Entities, and their respective Representatives and the Valad Directors

2 Regulatory Approvals

- (a) Each party:
 - (i) (Regulatory Approvals) must promptly apply for all relevant Regulatory Approvals from the Regulatory Authorities set out in, and in accordance with the responsibility noted in Schedule 4 and take all steps it is responsible for as part of that process, including responding to requests for information at the earliest practicable time;
 - (ii) (representation) where applicable, has the right to be represented and make submissions at any proposed meeting with any Regulatory Authority relating to any Regulatory Approval;
 - (iii) (consultation) must consult with the other parties in advance in relation to all communications (whether written or oral, and whether direct or via a Representative) with any Regulatory Authority relating to any Regulatory Approval ("Communications") and, without limitation, must:
 - (A) provide the other party with drafts of any material written Communications to be sent to a Regulatory Authority and make such amendments as the other parties reasonably require; and
 - (B) provide copies of any material written Communications sent to or received from a Regulatory Authority to the other parties promptly upon despatch or receipt (as the case may be),

in each case to the extent it is reasonable to do so.



(b) A Regulatory Approval will be regarded as having been obtained notwithstanding that a condition or conditions may have been attached to that Regulatory Approval if that condition is satisfactory to the Bidders and Valad, each acting reasonably.

3 Schemes

3.1 Conditions Precedent

- (a) Subject to this clause 3.1, the obligations of Valad and the Bidders to proceed to completion of the Schemes are conditional on, and the Schemes will not become Effective until, the satisfaction or waiver of each of the Conditions Precedent to the extent and in the manner set out in clauses 3.1(b) to 3.1(d) (inclusive).
- (b) Benefit of certain Conditions Precedent
 - (i) A Condition Precedent may only be waived in writing by a party entitled to the benefit of that Condition Precedent as noted in the table set out in Schedule 2 and a waiver will be effective only to the extent specifically set out in that waiver.
 - (ii) A Condition Precedent stated to be for the benefit of "All" can only be waived by written agreement between Valad and the Bidders.
 - (iii) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.1 may do so in its absolute discretion.
- (c) Waiver of Conditions Precedent

If either Valad or the Bidders waive the breach or non-fulfilment of a Condition Precedent in accordance with this clause 3.1, then:

- (i) subject to clause 3.1(b), that waiver precludes that party from suing the other for any breach of this deed arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but
- (ii) if the waiver of the Condition Precedent is itself conditional and the other party:
 - (A) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with subclause 3.1(a); or
 - (B) does not accept the condition, the Condition Precedent has not been waived.
- (d) Reasonable endeavours

To the extent that fulfilment of the Conditions Precedent are reasonably within its control, each of Valad and the Bidders agree to use all reasonable endeavours to procure that:

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- (i) each of the Conditions Precedent:
 - is satisfied as soon as practicable after the date of this deed; and
 - (B) continues to be satisfied at all times until the last time it is to be satisfied,

(as the case may require); and

- (ii) there is no occurrence that would prevent the Conditions Precedent being satisfied.
- (e) Notices in relation to Conditions Precedent

Each party must:

- (i) (notice of satisfaction) promptly notify the others of satisfaction of a Condition Precedent and must keep the others informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent;
- (ii) (notice of failure) immediately give written notice to the others of a breach or non-fulfilment of a Condition Precedent, or of any event which will prevent a Condition Precedent being satisfied; and
- (iii) (notice of waiver) upon receipt of a notice given under clause 3.1(e)(ii), give written notice to the other parties as soon as possible (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question.
- (f) Effect of waiver or non-fulfilment

A waiver of such breach or non-fulfilment in respect of one Condition Precedent does not constitute:

- (i) a waiver of the breach or non-fulfilment of any other Condition Precedent resulting from the same event; or
- (ii) a waiver of the breach or non-fulfilment of that Condition Precedent resulting from any other event.
- (g) Consultation on failure of Conditions Precedent

If:

 there is a breach or non-fulfilment of a Condition Precedent (other than the Conditions Precedent in paragraphs (b), (c) or (d) of Schedule 2) which is not waived in accordance with this deed by the time or date specified in this deed for the satisfaction of the Condition Precedent;

- (ii) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this deed for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this deed); or
- (iii) if the Schemes have not become Effective by the End Date,

then the parties must consult in good faith with a view to determining whether:

- (iv) the Schemes may proceed by way of alternative means or methods:
- to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or
- (vi) to extend the End Date,

provided that, notwithstanding anything in this deed, each party may make a determination with respect to the matters in clause 3.1(g)(iv) to (vi) in its sole, absolute and unfettered discretion.

(h) Failure to agree

If the parties are unable to reach agreement under clause 3.1(g) within 5 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date):

- (i) either party may terminate this deed; or
- if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this deed,

in each case before 8.00am on the Second Court Date. A party will not be entitled to terminate this deed pursuant to this clause 3.1 if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of:

- (iii) a breach of this deed by that party; or
- (iv) a deliberate act or omission of that party.

For the avoidance of doubt, nothing in this clause 3.1(h) affects any other right that any party has under this deed to terminate this deed or any part of it, including where that right arises from, or has any connection with, a breach or non-fulfilment of a Condition Precedent (including any act, omission, matter or circumstance relating to that breach or non-fulfilment).

3.2 Valad to propose Schemes

Valad agrees to propose the Schemes on and subject to the terms and conditions of this deed.

3.3 Outline of Schemes

Subject to clause 3.1, on the Implementation Date:

- (a) all of the Valad Stapled Securities held by Valad Securityholders will be transferred to the Bidders; and
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration.

3.4 Relationship between the Company Scheme and the Trust Scheme

The Company Scheme and the Trust Scheme are interconditional so that each of the Company Scheme and the Trust Scheme must become Effective in order for the Bidders to acquire the Valad Stapled Securities as contemplated under this clause 3.

3.5 Co-operation and timing in connection with the Schemes

Subject to clause 10, Valad and the Bidders must each:

- (a) use all commercially reasonable endeavours and commit all necessary resources; and
- (b) procure that its Officers and Advisers work in good faith and in a timely and co-operative fashion with the other parties (including by attending meetings and by providing information),

to produce the Scheme Booklet and implement the Schemes as soon as reasonably practicable and in accordance with the Timetable.

3.6 Right to separate representation

The Bidders are entitled to separate representation at all Court proceedings relating to the Schemes. Nothing in this deed is to be taken to give Valad or the Bidders any right or power to make or give undertakings to the Court for or on behalf of any other party or parties.

3.7 Schemes implementation obligations of the parties

(a) Valad's obligations

Valad must comply with the obligations of Valad set out in Schedule 5 insofar as they are relevant to the Schemes and take all reasonable steps to implement the Schemes as soon as is reasonably practicable and in any event prior to the End Date, provided that Valad will not, without the prior consent of the Bidders, take any steps to bring about the events required for the Schemes to become Effective (unless it is required to do so by this deed or a Scheme).

(b) Bidders' obligations

The Bidders must comply with the obligations of the Bidders set out in Schedule 6 insofar as they are relevant to the Schemes and take all reasonable steps to assist Valad to implement the Schemes as soon as reasonably practicable and in any event prior to the End Date.

(c) Mutual obligations

The parties agree that:

- (i) they must, as soon as reasonably practicable after entry into this deed (and prior to the lodgement of the Regulator's Draft), finalise the Trust Supplemental Deed Poll (Trust Scheme) by preparing an amending deed in respect of VPT which is (subject to the remainder of this clause 3.7(c)) on materially the same terms as the draft annexed to this deed; and
- (ii) to the extent that there is any inconsistency between this deed, on the one hand, and the Company Scheme, Deed Poll and Trust Supplemental Deed Poll (Trust Scheme), on the other, this deed is to prevail; and
- (iii) if there is such an inconsistency, the parties must, as soon as reasonably practicable after entry into this deed (and prior to the lodgement of the Regulator's Draft), agree upon amendments to the Company Scheme, Deed Poll and Trust Supplemental Deed Poll (Trust Scheme) (as applicable) which will remove such inconsistency.

3.8 Scheme Booklet

(a) Preparation

Without limiting clauses 3.7(a) or 3.7(b):

- (i) (preparation): Subject to clause 4, Valad is generally responsible for the preparation of the Scheme Booklet but will provide drafts to and consult with the Bidders in accordance with clause 3.8(b);
- (ii) (compliance) Valad and the Bidders must, in relation to the Valad Information and the Blackstone Information respectively, take all necessary steps to endeavour to ensure that the Scheme Booklet:
 - (A) complies with the requirements of:
 - (aa) the Corporations Act;
 - (ab) ASIC Regulatory Guide 60;
 - (ac) ASIC Regulatory Guide 74;
 - (ad) Guidance Note 15;
 - (ae) the Listing Rules; and
 - (af) any other applicable law; and
 - (B) is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (including because of any material omission).

(b) Content of the Scheme Booklet

Valad must:

- (i) (consult with Bidders):
 - (A) provide to the Bidders regular drafts of the Scheme Booklet for the purpose of enabling the Bidders to review and comment on that draft document;
 - (B) take the comments made by the Bidders into account in good faith when producing a revised draft of the Scheme Booklet; and
 - (C) provide to the Bidders a revised draft of the Scheme Booklet within a reasonable time before the Regulator's Draft is finalised and to enable the Bidders to review the Regulator's Draft at least 5 Business Days before its submission;
- (ii) (amend Scheme Booklet) implement such changes to those parts of the Scheme Booklet relating only to the Bidders which are provided in accordance with clause 3.8(b)(i) as reasonably requested by the Bidders and prior to finalising the Regulator's Draft;
- (iii) (Regulatory Review Period) during the Regulatory Review Period:
 - (A) promptly provide to the Bidders, and include in a revised draft of the Scheme Booklet, any new information not included in the Regulator's Draft which is required by the Corporations Act, Corporations Regulations, ASIC Regulatory Guides or the Listing Rules to be included in the Scheme Booklet; and
 - (B) keep the Bidders reasonably informed of any matters raised by ASIC or ASX in relation to the Scheme Booklet and use all reasonable endeavours, in cooperation with the Bidders, to resolve any such matters; and
- (iv) (Blackstone Information) obtain approval from the Bidders for the form and context in which any Blackstone Information appears in the Scheme Booklet which approval must not be unreasonably delayed or withheld.
- (c) Blackstone Information

The Bidders:

- must consult with Valad as to the content of the Blackstone Information;
- (ii) consent to the inclusion of the Blackstone Information in the Scheme Booklet and the reference to the Blackstone Information in the Scheme Booklet; and

(iii) acknowledge that:

- (A) it is responsible for ensuring that the Blackstone Information is not misleading or deceptive in any material respect (whether by omission or otherwise) and that Valad will not verify or edit that information; and
- (B) the Scheme Booklet will state that the Bidders are responsible for the Blackstone Information.
- (d) Misleading or deceptive information

Until the Implementation Date, each party must promptly inform the other parties if they become aware that any information in the Scheme Booklet, in the form and context in which it appears in the Scheme Booklet, is or has become misleading or deceptive in any material respect (whether by omission or otherwise) having regard to applicable disclosure requirements and provide to the other party such further or new information as is required to ensure that such information is no longer misleading or deceptive in any material respects. The parties will cooperate with each other to ensure that the Scheme Booklet or the information contained in it is updated accordingly.

(e) Disagreement on content

If the Bidders and Valad disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

- (i) if the disagreement relates to the form or content of the Blackstone Information contained in the Scheme Booklet, Valad will make such amendments as the Bidders reasonably require;
- (ii) if the disagreement relates to the form or content of any other part of the Scheme Booklet, the Valad Board will, in good faith and having regard to any reasonable requests of the Bidders, decide the final form or content of the disputed part of the Scheme Booklet.
- (f) Verification

Each party must undertake appropriate verification processes for the information supplied by that party for the Scheme Booklet.

(g) Despatch

Valad will despatch the Scheme Booklet to Valad Securityholders.

3.9 Obligations of the Valad Board in respect of the Schemes

(a) Valad Board recommendation

Valad must procure that the Valad Board:

- recommends that the Schemes are approved by the Scheme Participants in the absence of a Superior Proposal, subject only to the qualifications in clause 3.9(b);
- states that each Valad Director will vote any Valad Stapled Securities that they own or control in favour of the Schemes;
- (iii) does not withdraw or modify the recommendation or statement described in clauses 3.9(a)(i) and 3.9(a)(ii) respectively; and
- (iv) does not make any public statement to the effect, or take any other action that suggests, that the Schemes are no longer recommended or supported,

unless permitted to do so under clause 3.9(b). For the avoidance of doubt, the resignation of a Valad Director from the Valad Board will not constitute a breach of this clause 3.9(a).

(b) Changes to recommendation

AValad Director will not modify or withdraw the recommendation or statement described in clause 3.9(a)(i) and 3.9(a)(ii) respectively unless:

- (i) the Independent Expert opines in the Independent Expert's Report that, or changes its previously given opinion to an opinion that, either of the Company Scheme or the Trust Scheme:
 - (A) is not fair and not reasonable; or
 - (B) is not in the best interests of the Valad Securityholders; or
- (ii) a Superior Proposal is publicly announced.

3.10 Court proceedings

(a) Appeal process

If the Court refuses to make orders convening the Company Scheme Meeting or approving the Company Scheme or to grant the Judicial Advice, Valad and the Bidders must appeal the Court's decision to the fullest extent possible except to the extent that:

- (i) the parties agree otherwise; or
- (ii) Queen's Counsel or Senior Counsel representing a party indicates that, in their opinion, an appeal would likely have less than a 50% (or similarly expressed) prospect of success;

in which case this deed is terminated.

(b) Defence of proceedings

Each of Valad and the Bidders must vigorously defend, or must cause to be vigorously defended, any lawsuits or other legal proceeding brought against it (or any of its Controlled Entities) challenging this deed or the

implementation of the Schemes. Neither Valad nor the Bidders will settle or compromise (or permit any of its Controlled Entitles to settle or compromise) any claim brought in connection with this deed or the implementation of the Schemes without the prior written consent of the other, such consent not to be unreasonably withheld.

(c) Costs

Any costs incurred as a result of the operation of this clause 3.10 will be borne equally by Valad and the Bidders.

4 Disclosure Documentation

4.1 Preparation

Valad will have responsibility for preparation of the Scheme Booklet and must:

- (a) prepare the Scheme Booklet (other than the Independent Expert's Report, any investigating accountant's report and any third party tax advice); and
- (b) procure the preparation of the Independent Expert's Report;

in accordance with this clause 4 and, as applicable, clauses 3.8 and 8.1

4.2 Distribution of responsibility for drafting information

Valad and the Bidders will have responsibility for preparation of the following information for the Scheme Booklet:

| Information | Responsible party |
|---|-------------------|
| (a) Valad Information | Valad |
| (b) Blackstone Information | The Bidders |
| (c) Risks for Valad Securityholders associated with the implementation of the Transaction | Valad |
| (d) Information on the Bidders' funding of the Transactions | The Bidders |
| (e) the Bidders' statement of intentions in respect of Valad | The Bidders |

4.3 Responsibility for information

Each of Valad and the Bidders will be responsible:

- (a) generally, for the content of those sections of the Scheme Booklet to the extent it provides information to be included in that content; and
- (b) in particular, for the information designated in the table in clause 4.2.

For the avoidance of doubt:

- (c) the Bidders accept no responsibility for, and no liability in relation to, any information referred to in clause 4.3(a) that is not provided by the Bidders, Valad Information or any other information provided by Valad as referred to in clause 4.3(b);
- (d) Valad accepts no responsibility for, and no liability in relation to, any information referred to in clause 4.3(a) that is not provided by Valad, Blackstone Information or any other information provided by the Bidders as referred to in clause 4.3(b); and
- (e) the Scheme Booklet shall contain statements to the effect of clauses 4.3(c) and 4.3(d).

4.4 Misleading or deceptive information

Until the Implementation Date or, if the Schemes do not become Effective, the date this deed is terminated, each party must promptly inform the other if they become aware that any information in the Scheme Booklet, in the form and context in which it appears in the relevant part of the Scheme Booklet, is or has become misleading or deceptive in any material respect (whether by omission or otherwise) having regard to applicable disclosure requirements and provide to the other parties such further or new information as is required to ensure that such information is no longer misleading or deceptive in any material respects. The parties will cooperate with each other to ensure that the relevant part of the Scheme Booklet or the information contained in it is updated accordingly.

4.5 Verification

Each party must undertake appropriate verification processes for the information supplied by that party for the Scheme Booklet.

5 Public announcements

(a) Announcement of the Transaction

On the date of this deed or, if not a Business Day, the next Business Day, Valad will issue an Announcement approved by the Bidders.

(b) Required disclosure

Where a party is required by law, the Listing Rules or a memorandum of understanding with a Regulatory Authority to make any announcement or make any disclosure relating to a matter the subject of the Transaction, it may do so only after it has to the extent legally permissible given the other parties as much notice as practically possible and has consulted to the fullest extent practically possible in the circumstances with the other parties and their legal advisers.

(c) Other announcements

Subject to clauses 5(a) and 5(b), no party may make any public announcement or disclosure in connection with the Transaction or any other transaction contemplated by this deed or the Schemes other than in a form approved in writing by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as



practicable and such approval will not be unreasonably withheld, conditioned or delayed.

6 Conduct of business

6.1 No change in the conduct of business

- (a) From the date of this deed up to and including the later of the Implementation Date and, if the Schemes do not become Effective, the date this deed is terminated, Valad must, except as expressly contemplated by this deed or as otherwise required to implement the Transaction, conduct its business, and procure that its Subsidiaries conduct their businesses, in the ordinary and proper course and in substantially the same manner as previously conducted.
- (b) Without limiting clause 6.1(a), Valad must not, and must procure that its Subsidiaries do not, from the date of this deed up to and including the Implementation Date, do any of the following (or agree to do any of the following), except to the extent disclosed in the Disclosure Information (including any intentions or budgeted expenditure):
 - (i) (except as required by law or as provided in an existing contract
 in place as at the date of this deed) make any material change to
 the terms of employment of (including accelerating any rights to
 compensation or benefits of any kind (including under any
 executive or employee share plans) or increasing the
 remuneration or compensation of), or grant or pay any bonus,
 retention, severance or termination payment to any director,
 executive or senior manager;
 - (ii) incur any commitments involving capital expenditure of more than A\$5 million above the amount disclosed in the Capex Budget being part of the Disclosure Information whether in one transaction or series of related transactions; or
 - (iii) accept as a settlement or compromise of a material matter (relating to an amount in excess of A\$5 million) less than the full compensation due to Valad Group.

6.2 Access

In the period from the date of this deed until the Implementation Date and so long as the Valad Board considers the Transaction to be in the best interests of Valad Securityholders and continues to publicly recommend that Valad Securityholders vote in favour of the resolutions to be proposed at the Scheme Meetings, Valad must:

- (a) procure that at least two members of Valad's executive management team meet with representatives of the Bidders on a fortnightly basis to assist with, among other things:
 - (i) keeping the Bidders fully informed of the matters contemplated by clause 6.2(b);
 - (ii) providing the Bidders with access to information and people it has requested under clause 6.2(c);

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- (b) keep the Bidders reasonably informed of all material developments relating to the Valad Group and provide to the Bidders monthly financial reports; and
- (c) promptly following a request by the Bidders, provide the Bidders (and their Authorised Officers) with access to:
 - (i) documents and information relating to the Valad Group;
 - (ii) executives and senior management of the Valad Group,

for the purpose of, or in connection with:

- (iii) planning the transition of the Valad Group and other matters relating to the conduct of the Valad Group following the Implementation Date;
- (iv) the financing arrangements in respect of the Transaction, including any refinancing of the existing indebtedness of the Valad Group; or
- (v) otherwise facilitating the Transaction, including obtaining Regulatory Approvals and satisfying Conditions Precedent; and
- (d) provide the Bidders with the number of voting proxies received in relation to the Scheme three weeks, two weeks, and then every day of the last week, before the date of the Scheme Meetings.

6.3 Deeds of access, indemnity and insurance

- (a) In the event that the Schemes become Effective, with effect from the Effective Date the Bidders must procure that Valad and each of its Related Bodies Corporate preserve the indemnities and other rights under the deeds of indemnity access and insurance made by them in favour of their respective directors and officers from time to time and, in particular, must not take any action which would prejudice or adversely affect any directors' and officers run-off insurance cover taken out prior to the Implementation Date.
- (b) The undertakings contained in this clause 6.2 are subject to any restriction under the Corporations Act or any other applicable legislation and will be read down accordingly. Valad receives and holds the benefit of this clause 6.2, to the extent it relates to the directors and officers of Valad and its Related Bodies Corporate, as trustee for them.

7 Exclusivity

7.1 Terminate existing discussions

Valad undertakes that, other than the discussions with the Bidders in respect of the Schemes, neither it nor any of its Representatives are in any negotiations or discussions in respect of any possible Competing Bid with any person as at the date of this deed.

7.2 No-shop no talk

During the Exclusivity Period, Valad must ensure that neither it nor any of its Representatives directly or indirectly:

- (a) solicits, invites, facilitates, encourages or initiates any enquiries, negotiations or discussions;
- (b) communicates any intention to do any of these things; or
- (c) subject to clause 7.3, enter into, or participate in any negotiations or discussions with, or enter into any agreement, arrangement or understanding with a view to obtaining an offer, proposal or expression of interest from any person in relation to a Competing Bid,

if to do so may be reasonably likely to lead to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Bid ("**Third Party**").

Nothing in this clause 7.2 prevents Valad from continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to the Schemes or its business generally.

7.3 Unsolicited approach

During the Exclusivity Period, Valad agrees that it will not make available to any Third Party any non-public information relating to Valad in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of a Competing Bid unless:

- (a) the Valad Directors have formed the opinion, in good faith and acting reasonably, after consultation with Valad's financial adviser and after receiving written advice from reputable external counsel, that compliance or continued compliance with this clause 7.3, where there is a Competing Bid, would be a breach of their fiduciary and/or statutory duties due to the reasonable likelihood that the Competing Bid would be a Superior Proposal; and
- (b) if Valad proposes to provide any confidential information to a Third Party, the Third Party enters into confidentiality arrangements with Valad on terms no less onerous to the Third Party than the terms of the Confidentiality Agreement prior to the receipt of such information, and Valad must provide the Bidders with a complete copy of all such information at the same time it is provided to any Third Party to the extent not already provided to the Bidders or any of their Representatives in the Disclosure Information.

7.4 Notification of unsolicited approach

During the Exclusivity Period, if the Valad Board receives a Competing Bid that it determines in good faith and acting reasonably, after consultation with Valad's financial adviser and after receiving advice from reputable external counsel could reasonably be expected to become a Superior Proposal:

(a) Valad must promptly notify the Bidders of the material terms of the Competing Bid (including any material updates or changes to the

Competing Bid) but not the identity of the party or parties making the Competing Bid where the party or parties making the Competing Bid require Valad to enter into confidentiality arrangements restricting disclosure of the identity of that party or parties; and

(b) the Valad Board must not withdraw or modify its recommendation or make any public statement to that effect, or take any other action that suggests, that the Schemes are no longer recommended or supported for a period of 2 Business Days following receipt of such a notice.

8 Provision of information

8.1 Parties' provision of information to each other and to the Independent Expert and other third parties

Each party agrees that it will provide to the others such information as is reasonably needed by the other party (or the Independent Expert, any investigating accountant or any tax adviser preparing tax-related disclosure for inclusion in the Scheme Booklet) in order to enable the other party to prepare the Scheme Booklet (and the report or reports of the Independent Expert, and advice of the tax adviser, to be included or incorporated by reference into the Scheme Booklet).

8.2 Confidential Information

- (a) Valad and the Bidders acknowledge and agree that they continue to be bound by the Confidentiality Agreement after the date of this deed.
- (b) The rights and obligations of the parties under the Confidentiality Agreement survive the termination of this deed.
- (c) In addition to the use of Confidential Information permitted by clause 3.2 of the Confidentiality Agreement, a Recipient may also use Confidential Information exclusively for the purposes of the Transaction contemplated by this deed and for no other purpose.

9 Warranties

9.1 Bidder Warranties

- (a) Unless a warranty is expressed to be given only at a particular date, the Bidders represent and warrant to Valad that as at the date of this deed and at all times until the Implementation Date or, if the Schemes do not become Effective, the date of termination of this deed:
 - the Bidders are incorporated or established and existing and in compliance under the laws of the place of their incorporation or establishment;
 - (ii) the execution and delivery of this deed by the Bidders has been properly authorised by all necessary corporate action;
 - the Bidders have full corporate power and lawful authority to execute and deliver this deed and to consummate and perform or



cause to be performed the Bidders' obligations under this deed in accordance with its terms;

- (iv) (subject to the laws generally affecting creditors' rights and the principles of equity) this deed constitutes legal valid and binding obligations on the Bidders enforceable in accordance with its terms and the execution of this deed will not result in a breach of or default (in each case which is material in the context of the Transaction) under the Bidders' memorandum of association, bye-laws, partnership agreement, trust deed or other constituting documents (as appropriate) or any agreement or deed or writ, order, decree or injunction, rule, law or regulation to which the Bidders, or any of their respective Subsidiaries is a party or to which they are bound or require any notification, consent or approval, authorisation permit or ruling from any Government Agency (in each case which is material in the context of the Transaction);
- (v) all information provided by or on behalf of the Bidders to the Independent Expert, or to Valad or its Representatives, to enable the report of the Independent Expert to be prepared and completed or otherwise in connection with the Transactions will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report;
- (vi) the Bidders and their Subsidiaries have complied in all material respects with all material Australian and foreign laws and regulations applicable to them and orders of Australian and foreign Government Agencies having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted:
- (vii) neither the Bidders nor any of their Subsidiaries are in default under any document, agreement or instrument binding on it or its assets nor has anything occurred which is or would with the giving of notice or lapse of time constitute (nor will the entering into by the Bidders of this deed, or the execution of its terms by any of them, constitute (whether immediately or following the giving of notice or lapse of time)) an event of default, prepayment event or similar event, or give another party thereto a termination right or right to accelerate any right or obligation, under any such document or agreement with such an effect, in all cases which results, or is reasonably likely to result, in the Bidders being unable to comply with or being restricted in complying with its obligations under this deed;
- (viii) the Blackstone Information included in the Scheme Booklet does not contain any material statement which is misleading or deceptive in the form and context in which it appears, nor contains any material omission, having regard to the applicable disclosure requirements.
- (ix) as at the date of this deed the Bidders have a reasonable basis to expect that they will, by two days prior to the Implementation

Date, have available to them sufficient cash amounts (whether from internal cash resources or external funding arrangements (including debt and equity financing) or a combination of both), subject to the terms of those funding arrangements, to satisfy the Bidders' obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Company Scheme and the Trust Scheme:

- (x) as at 8.00am on the Second Court Date, the Bidders will have available to them on an unconditional basis (other than conditions relating to the approval of the Court and other conditions within the control of the Bidders) sufficient cash amounts (whether from internal cash resources or external funding arrangements (including debt and equity financing) or a combination of both) to satisfy the Bidders' obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Company Scheme and the Trust Scheme; and
- (xi) as at the date that is two days prior to the Implementation Date, the Bidders will have available to them sufficient cash amounts (whether from internal cash resources or external funding (including debt and equity financing) arrangements or a combination of both), subject to the terms of those funding arrangements, to satisfy the Bidders' obligation to pay the Scheme Consideration in accordance with its obligations under this deed, the Company Scheme and the Trust Scheme;
- (xii) the Bidders have received equity and debt commitments such that, subject to the terms of such commitment, they will have available to them sufficient funds to perform their obligations under this deed, the Company Scheme and the Trust Scheme, as and when they arise in accordance with the terms of those documents; and
- (xiii) the copies of the equity commitment letter and debt commitment letter provided to Valad are true and accurate and the Bidders will not vary these arrangements, or waive any of their rights under these arrangements, in any manner other than in accordance with the terms of the equity commitment letter and the debt commitment letter.
- (b) Bidtrust represents and warrants to Valad that as at the date of this deed and at all times until the Implementation Date or, if the Schemes do not become Effective, the date of termination of this deed:
 - (i) it was validly appointed trustee of Acorn FM Unit Trust in accordance with the terms of the Bidtrust Trust Deed;
 - (ii) Acorn FM Unit Trust was established on the date the Bidtrust Trust Deed bears;
 - (iii) the Bidtrust Trust Deed was properly executed and appropriately stamped;
 - (iv) it is not in default under the terms of the Bidtrust Trust Deed and has no notice of any circumstances which will or are reasonably

likely to lead to the removal of Bidtrust as trustee of Acorn FM Unit Trust;

- (v) it has not been removed from the office of trustee nor ceased to act and no additional trustee has been appointed;
- (vi) it has the right to be fully indemnified out of the assets of Acorn FM Unit Trust in respect of all its obligations and liabilities under this deed other than in the case of Bidtrust's fraud, negligence or breach of trust;
- (vii) any amendments since the execution of the Bidtrust Trust Deed do not affect the other representations and warranties made in this deed nor the ability of a party to perform its obligations under this deed, the Company Scheme and the Trust Scheme.

9.2 Bidders indemnity

Subject to clause 10.8(b), the Bidders agree with Valad to indemnify Valad and keep Valad indemnified against all Losses which they may suffer or incur by reason of any breach of any of the warranties in clause 9.1.

9.3 Limitations

Valad acknowledges and agrees that the representations and warranties given by the Bidders under clause 9.1 are qualified by:

- the knowledge of Valad, its Controlled Entities, and their respective Representatives and the Valad Directors, before the date of this deed; and
- (b) matters fairly, clearly and accurately disclosed in this deed or otherwise in writing by the Bidders or their Representatives to Valad or its Representatives before the date of this deed.

9.4 Valad Warranties

Valad represents and warrants to the Bidders that as at the date of this deed and at all times until the Implementation Date or, if the Schemes do not become Effective, the date of termination of this deed:

- VFML and VCML are incorporated and each are existing corporations registered under the laws of their place of incorporation;
- (b) the execution and delivery of this deed has been properly authorised by all necessary corporate action;
- it has full corporate power and lawful authority to execute and deliver this deed and to consummate and perform or cause to be performed its obligations under this deed in accordance with its terms;
- (d) (subject to the laws generally affecting creditors' rights and the principles of equity) this deed constitutes legal valid and binding obligations on it and execution of this deed will not result in a breach of or default (in each case which is material in the context of the Transaction) under the VFML Constitution or the VPT Constitution, or any agreement or deed or writ, order or injunction, rule or regulation to

Mallesons Stephen Jaques

Scheme Implementation Deed

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which Valad or any of its Subsidiaries is a party or to which they are bound or require any notification, consent or approval, authorisation, permit or ruling from any Government Agency (in each case which is material in the context of the Transaction) except for the consents referred to in Schedule 7 (if any) ("Required Notifications, Consents and Approvals");

- (e) it will continue to operate the business of Valad and its Controlled Entities in the usual and ordinary course as regards its nature, scope and manner and in accordance with its usual business practices subject to the exclusions in clause 6.1;
- (f) Valad is not currently, and so far as Valad is aware having made due enquiry has not in the past been, in breach of its continuous disclosure obligations under the Listing Rules (and has not received notice of, and is not otherwise aware of, any threatened litigation or proceedings against it in relation to such a breach), and is not relying on the carve-out in Listing Rule 3.1A to withhold any information from disclosure;
- (g) Valad has taken all reasonable steps to ensure that the Disclosure Information provided to the Bidders or their Representatives in connection with the Scheme and any other transactions contemplated by this deed is not false, misleading or deceptive in any material respect (whether by omission or otherwise);
- (h) all information provided by or on behalf of Valad to the Independent Expert to enable the Independent Expert's Report to be prepared and completed or otherwise in connection with the Transactions will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purpose of preparing the Independent Expert's Report;
- it and its Subsidiaries have complied in all material respects with all material Australian and foreign laws and regulations applicable to them and orders of Australian and foreign Government Agencies having jurisdiction over them and have all material licenses, permits and franchises necessary for them to conduct their respective businesses as presently being conducted;
- (j) subject to the Required Notifications, Consents and Approvals being given or obtained, neither it nor any of its Subsidiaries is in default under any document, agreement or instrument binding on it or its assets nor has anything occurred which is or would with the giving of notice or lapse of time constitute (nor will the entering into by Valad and any of its Controlled Entities of this deed, or the execution of its terms by any of them, constitute (whether immediately or following the giving of notice or lapse of time)) an event of default, prepayment event or similar event, or give another party thereto a termination right or right to accelerate any right or obligation, under any such document or agreement with such an effect, in all cases which results, or is reasonably likely to result, in a Valad Material Adverse Change;
- (k) VPT has been duly established and has not been terminated and each is a registered managed investment scheme;

- VCML is the only trustee and responsible entity of VPT and no action has been taken or proposed to remove it as trustee or responsible entity of either of VPT;
- (m) no action has been taken or proposed to, either:
 - (i) terminate VPT; or
 - (ii) wind-up VPT whether under Chapter 5C of the Corporations Act or otherwise:
- subject to the amendments to the VPT Constitution contemplated by this deed, true copies of the Trust Constitution (including any amending documents) have been provided to the Bidders;
- (o) VCML has in full force and effect the authorisations necessary for it to enter into the documents to which it is a party, perform obligations under them and allow them to be enforced (including any authorisation required under the Trust Constitution (if any));
- (p) VCML has not exercised its powers under either of the Trust Constitution to release, abandon or restrict any power conferred on it by the Trust Constitution;
- entry into the documents to which VCML is a party is a valid exercise of VCML's powers under the Trust Constitution for the benefit of the beneficiaries;
- (r) VCML has a right to be fully indemnified out of the Trust Property in respect of obligations incurred by it under the documents to which it is a party, and there is nothing that would prevent VCML from being fully indemnified out of the Trust Property for any obligations under or in connection with this deed, or any of the transactions contemplated by this deed;
- (s) to the best of the knowledge of Valad no member of the Valad Group or any of their Officers or agents have directly or indirectly taken any action that would violate, or cause the Bidders to violate, the United States Foreign Corrupt Practices Act of 1977 (FCPA), if applicable, or any other anti-corruption or anti-bribery law or regulations applicable to them (collectively with the FCPA, the Anti-corruption Laws). To the best of Valad's knowledge there has been no investigation or request for information from a Valad Group member by any Government Agency in relation to Anti-corruption Laws, and there have been no false entries made in the books and records of the Valad Group relating to illicit payments or unrecorded funds;
- (t) as at the date of this deed, the total issued capital of Valad is:
 - (i) 115,108,116 Valad Stapled Securities; and
 - (ii) 2,074,087 Valad Options,

and there are no other options, rights, performance rights, shares, convertible notes (except for the Notes) or other securities (or offers or agreements to issue any of the foregoing);

- to the best of the knowledge of Valad the approvals and consents listed in Schedule 7 (Consents) are all the material consents in respect of which the failure to obtain such approval or consent for the purposes of the Transaction would result, or would be reasonably likely to result, in a Valad Material Adverse Change;
- (v) Valad's financial statements as disclosed to ASX have been prepared in accordance with applicable Australian accounting standards and there has not been any event which would require such accounts to be restated; and
- (w) Valad is not the subject of any outstanding notice from ASX or ASIC that it has failed to comply with any applicable law, policy or rule.

9.5 Valad indemnity

Valad agrees with the Bidders to indemnify and keep the Bidders indemnified against all Losses which they may suffer or incur by reason of any breach of this deed by Valad, including any of the warranties in clause 9.4.

9.6 Limitations

The Bidders acknowledge and agree that the representations and warranties given by Valad under clause 9.4 are qualified by:

- (a) the actual knowledge of the Bidders, the Bidders' Controlled Entities and their respective Representatives and Officers before the date of this deed; and
- (b) the Disclosure Information (except in the case of clause 9.4(g)).

9.7 Valad directors and officers

- (a) The Bidders release their rights, and agree with Valad that they will not make a claim, against any Officer of Valad or its Related Bodies Corporate as at the date of this deed in connection with:
 - any breach of any representations, covenants and warranties of Valad in this deed; or
 - (ii) any disclosures containing any statement which is false or misleading whether in content or by omission,

except where the Officer has not acted in good faith or has engaged in wilful misconduct.

(b) Clause 9.7(a) is subject to any Corporations Act restriction and will be read down accordingly. Valad receives and holds the benefit of clause 9.7(a) to the extent it relates to each Officer as trustee for each of them.

10 Termination and Break Fees

10.1 Termination rights - mutual rights

Without prejudice to any other rights of termination in this deed, this deed may be terminated by any party by notice to the other parties:

- (a) if Another Party is in material breach of this deed and that breach is not remedied by that other party within 5 Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;
- (b) if:
 - (i) Another Party becomes Insolvent; or
 - (ii) any Related Body Corporate of Another Party becomes Insolvent and this constitutes or gives rise to a Valad Material Adverse Change or is likely to affect the Bidders' ability to complete the Transaction (as appropriate);
- if the Independent Expert opines that, or changes its previously given opinion to an opinion that, the Schemes are not in the best interests of Valad Securityholders;
- (d) if a Court, Government Agency or other Regulatory Authority has:
 - issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the acquisition by the Bidders of Valad Stapled Securities; or
 - (ii) taken any action permanently restraining or otherwise prohibiting the Transaction (or the Schemes individually), or has refused to do any thing necessary to permit the Transaction (or the Schemes individually), and the action or refusal has become final and cannot be appealed; or
- (e) any time after the End Date; or
- (f) if agreed to in writing by the Bidders and Valad.

10.2 Termination by the Bidders

This deed may be terminated by the Bidders by notice in writing to Valad if:

- (a) a majority of the Valad Directors change or withdraw their recommendation to Valad Securityholders that the Schemes be approved;
 - For the avoidance of doubt, the resignation of a Valad Director will not constitute a change of recommendation;
- (b) any member of the Valad Board makes a public statement to the effect that the Valad Board no longer recommends that the Schemes be approved and the Valad Board does not publicly confirm its recommendation of the Schemes;
- (c) Valad breaches a representation or warranty contained in clause 9.4 and the breach results in or discloses a Valad Material Adverse Change;
- (d) a Valad Prescribed Occurrence occurs which results in or discloses a Valad Material Adverse Change; or

(e) the Schemes have not become Effective or been implemented (as the case may be) on or before the End Date or have ceased to be capable of becoming Effective or being implemented on or before the End Date.

10.3 Termination by Valad

This deed may be terminated by Valad by notice in writing to the Bidders if:

- (a) the Bidders breach a representation or warranty contained in clause 9.1;
- (b) subject to first complying with clause 7.4, a majority of the Valad Directors change or withdraw their recommendation to Valad Securityholders that the Schemes be approved, but only if the change or withdrawal of the recommendation has been undertaken in accordance with clause 3.9(b). For the avoidance of doubt, the resignation of a Valad Director will not constitute a change of recommendation; or
- (c) the Schemes have not become Effective or been implemented (as the case may be) on or before the End Date or have ceased to be capable of becoming Effective or being implemented on or before the End Date.

10.4 Manner of termination

Where a party has a right to terminate this deed, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other parties stating that it terminates this deed.

10.5 Effect of Termination

If this deed is terminated by any party in accordance with this clause 10 or clause 3.1(h):

- (a) each party will be released from its obligations under this deed except its obligations under clauses 7.4, 8.2, 9.7, 10.6, 10.7 or 10.8 and the provisions of clauses 13 to 23 (inclusive);
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this deed; and
- (c) in all other respects, all future obligations of the parties under this deed will immediately terminate and be of no further force or effect, including, without limitation, any further obligations in respect of the Schemes.

10.6 Break fee to the Bidders

If:

- (a) Valad terminates this deed pursuant to clause 10.3(b) in circumstances where there is a Superior Proposal; or
- (b) the Bidders terminate this deed pursuant to clause:
 - 10.1(a) in circumstances where the breach is a breach of clause 3.9(a)(iii) or, unless the breach is unintentional, where the breach is caused directly or indirectly, by Valad;

- (ii) 10.2(a), in circumstances where there is a Superior Proposal;
- (iii) 10.2(c); or
- (iv) 10.2(d) where the Valad Prescribed Occurrence is caused directly or indirectly by Valad,

then Valad must pay to the Bidders as compensation for their costs and expenses a fee of A\$2.1 million, such fee to be payable within 10 days of receipt of demand, delivered by the Bidders to Valad after the occurrence of the relevant termination event or announcement.

10.7 Nature of payment

The amount payable by Valad to the Bidders under clause 10.6 is an amount to compensate the Bidders for:

- (a) advisory costs (including costs of advisors other than success fees);
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses; and
- (d) reasonable opportunity costs incurred by the Bidders in pursuing the Schemes or in not pursuing other alternative acquisitions or strategic initiatives which the Bidders could have developed to further their business and objectives,

but is without prejudice to and does not limit any rights which the Bidders may have against Valad.

10.8 Break fee to Valad

- (a) If Valad terminates this deed pursuant to clause:
 - 10.1(a) in circumstances where the breach is caused, directly or indirectly, by the Bidders; or
 - (ii) 10.3(a),

then the Bidders, must pay to Valad as compensation including for its costs and expenses the sum of A\$2.1 million (**Bidder Break Fee**) such fee to be payable within 10 days of receipt of demand, delivered to the Bidders after the occurrence of the relevant termination event.

(b) The maximum aggregate amount which the Bidders are required to pay to any person in relation to any breach or breaches of this deed by the Bidders, or their failure to perform their obligations under this deed, is the Bidder Break Fee referred to in clause 10.8(a) and in no event will the aggregate liability of the Bidders to any person arising under or in connection with any breach or breaches of this deed or the failure to perform any obligation under this deed exceed an amount equal to the Bidder Break Fee, which will be the sole and exclusive remedy against the Bidders. The Bidder Break Fee is only payable once and the maximum amount payable by the Bidders under clause 10.8(a) is A\$2.1 million.

11 Valad Options

- (a) Valad may allow the Valad Options to be exercised at any time on or before the Record Date for the Schemes so that the persons entitled to the Valad Options become Scheme Participants.
- (b) Valad undertakes to procure that the Valad Board will, in relation to the Valad Options:
 - make a determination that all options over unissued Valad Stapled Securities are vested and all restrictions applying to deferred Valad Stapled Securities are removed on a date prior to the Record Date; and
 - (ii) in relation to options over unissued Valad Stapled Securities, make a determination that the last date for the exercise of options is a date prior to the Record Date and that all unexercised options will expire or lapse on or prior to the Implementation Date.

12 Stapling Deed

Valad undertakes to procure that on or prior to the Implementation Date the parties to the Stapling Deed agree to amend the terms of that deed such that on destapling of the Valad Stapled Securities none of the events described in clause 8.2 of the Stapling Deed will occur and the Stapling Deed is terminated.

13 Notices

13.1 Form

Unless expressly stated otherwise in this deed, all notices, certificates, consents, approvals, waivers and other communications in connection with this deed (**Notices**) must be in writing, signed by the sender (if an individual) or an Authorised Officer of the sender and marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.

13.2 Delivery

Any Notice must be:

- (a) left at the address set out or referred to in the Details;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details;
- (c) sent by fax to the fax number set out or referred to in the Details;
- (d) sent by email to the address set out in the Details; or
- (e) given in any other way permitted by law.

However, if the intended recipient has notified a changed postal address or changed fax number or email address, then the communication must be to that address or number.

All Notices in connection with this deed which are given to:

(f) the Bidders must be copied to:

Peter Cook and Adam Laura Gilbert + Tobin Level 37 2 Park Street Sydney NSW 2000 Australia

Fax: +61 2 9263 4111

Email: pcook@gtlaw.com.au alaura@gtlaw.com.au

(g) Valad must be copied to:

Barry McWilliams and Scott Phillips Mallesons Stephen Jaques Level 61 Governor Phillip Tower 1 Farrer Place Sydney NSW 2000 Australia

Fax: +61 2 9296 3999

Email: barry.mcwilliams@mallesons.com scott.phillips@mallesons.com

13.3 When effective

A Notice takes effect from the time it is received unless a later time is specified.

13.4 Receipt - post

If sent by post, a Notice is taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

13.5 Receipt - fax

If sent by fax, a Notice is taken to be received at the time shown in the transmission report as the time that the whole fax was sent.

13.6 Receipt - email

If sent by email, a Notice is taken to be received at the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated response that the email has not been delivered.

13.7 Receipt - general

Despite clauses 13.4, 13.5 and 13.6 if a Notice is received after 5.00pm in the place of receipt or on a non-Business Day, it is to be taken to be received at 9.00am on the next Business Day.

14 VCML and Bidtrust limitation of liability

14.1 VCML

- (a) VCML enters into this deed only in its capacity as responsible entity of VPT
- (b) Subject to clause 14.1(c):
 - (i) a liability arising under or in connection with this deed is limited to and can be enforced against VCML only to the extent to which it can be satisfied out of property of Trust Property out of which VCML is actually indemnified for the liability. This limitation of VCML's liability applies despite any other provision of this deed and extends to all liabilities and obligations of VCML in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this deed; and
 - (ii) the other parties to this deed may not sue VCML in any capacity other than as responsible entity or trustee of VPT, including seeking the appointment of a receiver (except in relation to property of VPT), a liquidator, an administrator or any similar person to VCML or prove in any liquidation, administration or arrangement of or affecting VCML (except in relation to Trust Property).
- (c) Despite any other provision of this deed or any other agreement (including a deed or deed poll), clause 14.1(b) does not apply to any obligation or liability of VCML to the extent that it is not satisfied because under the Trust Constitution, or by operation of law, there is a reduction in the extent of VCML's indemnification out of the assets of VPT, as a result of VCML's fraud, wilful default or gross negligence.
- (d) VCML is not obliged to enter into any commitment or obligation under this deed unless its liability is limited in the same manner as in this clause 14.1.

14.2 Bidtrust

- Bidtrust enters into this deed only in its capacity as trustee of Acorn FM Unit Trust.
- (b) Subject to clause 14.2(c):
 - (i) a liability arising under or in connection with this deed is limited to and can be enforced against Bidtrust only to the extent to which it can be satisfied out of property of Acorn FM Unit Trust out of which Bidtrust is actually indemnified for the liability. This limitation of Bidtrust liability applies despite any other

provision of this deed and extends to all liabilities and obligations of Bidtrust in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this deed; and

- (ii) the other parties to this deed may not sue Bidtrust in any capacity other than as trustee of Acorn FM Unit Trust, including seeking the appointment of a receiver (except in relation to property of Acorn FM Unit Trust), a liquidator, an administrator or any similar person to Bidtrust or prove in any liquidation, administration or arrangement of or affecting Bidtrust (except in relation to Bidtrust Trust Property).
- (c) Despite any other provision of this deed or any other agreement (including a deed or deed poll), clause 14.2(b) does not apply to any obligation or liability of Bidtrust to the extent that it is not satisfied because under the Bidtrust Trust Deed, or by operation of law, there is a reduction in the extent of Bidtrust's indemnification out of the assets of Acorn FM Unit Trust, as a result of Bidtrust's fraud, wilful default or gross negligence.
- (d) Bidtrust is not obliged to enter into any commitment or obligation under this deed unless its liability is limited in the same manner as in this clause 14.2.

15 Goods and services tax (GST)

15.1 Consideration does not include GST

The consideration specified in this deed does not include any amount for GST.

15.2 Recovery of GST

If a supply under this deed is subject to GST, the recipient must pay to the supplier an additional amount equal to the Amount of the Consideration multiplied by the applicable GST rate.

15.3 Time of payment

The additional amount is payable at the same time as the consideration for the supply is payable or is to be provided. However, the additional amount need not be paid until the supplier gives the recipient a Tax Invoice.

15.4 Adjustment of additional amount

If the additional amount differs from the amount of GST payable by the supplier, the parties must adjust the additional amount.

15.5 Reimbursement

If a party is entitled to be reimbursed or indemnified under this deed, the amount to be reimbursed or indemnified does not include any amount for GST for which the party is entitled to an Input Tax Credit.

15.6 Survival

This clause 15 will survive termination of this deed.

16 Stamp duty

- (a) The Bidders must pay all Duty:
 - (i) on this deed;
 - iii in connection with the Transaction or any of them and any document or transaction which evidences or gives effect to the Transaction; and
 - (iii) on any acquisition or disposal by the Bidders or any Affiliate of the Bidders of Valad Stapled Securities or any interest in Valad Stapled Securities, including any transaction, agreement or document pursuant to which that acquisition or disposal occurs.
- (b) The Bidders covenant in favour of Valad (in its own right and separately on behalf of each Valad Securityholder) to indemnify Valad and each Valad Securityholder against liability arising from failure to comply with clause 16(a).
- (c) The Bidders will reimburse to Valad (or the relevant Valad Group entity) any amount Valad (or a Valad Group entity) pays to a Government Agency to satisfy a liability to Duty contemplated by clause 16(a), whether or not it is the party liable for that Duty.

17 Assignment

A party may not assign or otherwise deal with its rights under this deed (other than pursuant to any security granted before the date of this deed or to a secured lender, security trustee or other financier providing finance to Bidco for the purposes of this deed) or allow any interest in them to arise or be varied in each case, without the consent of the other parties unless:

- (a) in the case of the Bidders, the transferee is an Affiliate of the Bidders;
- (b) the transferee or assignee enters into arrangements to assume the obligations of the Bidders.

18 No partnership

Nothing contained or implied in this deed constitutes a party the partner, agent, or legal representative of another party for any purpose or creates any partnership, agency or trust, and no party has any authority to bind another party in any way.

19 Severability

If the whole or any part of a provision of this deed is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this deed has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause 19 has no effect if the severance alters the basic nature of this deed or is contrary to public policy.

20 Entire agreement

This deed constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

21 Counterparts

This deed may be executed in counterparts. All counterparts when taken together are to be taken to constitute one instrument.

22 General

22.1 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this deed expressly states otherwise.

22.2 Partial exercising of rights

If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.

22.3 No liability for loss

A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this deed.

22.4 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

22.5 Conflict of interest

The parties' rights and remedies under this deed may be exercised even if this involves a conflict of duty or a party has a personal interest in their exercise.

22.6 Remedies cumulative

The rights and remedies provided in this deed are in addition to other rights and remedies given by law independently of this deed.

22.7 Rights and obligations are unaffected

Rights given to the parties under this deed and the parties' liabilities under it are not affected by anything which might otherwise affect them by law.

22.8 Variation and waiver

A provision of this deed or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.

22.9 No merger

The warranties, undertakings and indemnities in this deed do not merge on completion of any transaction contemplated by this deed.

22.10 Indemnities

The indemnities in this deed are continuing obligations, independent from the other obligations of the parties under this deed and continue after this deed ends but terminate upon the expiration of the period of two years from the date of this deed except in respect of any claim notified under the indemnity prior to the expiration of that period. It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity under this deed.

22.11 Further steps

Each party agrees, at its own expense, to do anything the other party asks (such as obtaining consents, signing and producing documents and getting documents completed and signed):

- (a) to bind the party and any other person intended to be bound under this deed; and
- (b) to show whether the party is complying with this deed.

22.12 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this deed or any part of it.

22.13 Costs

The parties agree to pay their own legal and other costs and expenses in connection with the preparation, execution and completion of this deed and other related documentation.

22.14 Inconsistent law

To the extent permitted by law this deed prevails to the extent it is inconsistent with any law.

22.15 Supervening legislation

Any present or future legislation which operates to vary the obligations of a party in connection with this deed with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is

→ SCHEME IMPLEMENTATION DEED (continued)

excluded except to the extent that its exclusion is prohibited or rendered ineffective by law. Any change in legislation will not be disregarded for the purposes of any change of law condition or the obligation of any party to comply with applicable laws.

23 Governing law

This deed is governed by the law in force in the place specified in the Details. Each party submits to the non-exclusive jurisdiction of the courts of that place.

EXECUTED AND DELIVERED as a deed.

Scheme Implementation Deed

Schedule 1 – Announcement



ASX ANNOUNCEMENT

29 April 2011

AGREEMENT WITH BLACKSTONE TO ACQUIRE ALL VALAD STAPLED **SECURITIES FOR A\$1.80 PER STAPLED SECURITY**

Valad Property Group (ASX: VPG) today announced that it has entered into a Scheme Implementation Deed ('SID') with affiliates of Blackstone Real Estate Partners VI-VD L.P. (the affiliates defined as 'Blackstone') pursuant to which Blackstone proposes to acquire all the stapled securities in Valad for A\$1.80 per stapled security in accordance with that deed (the 'Transaction'). Transaction is subject to the approval of Valad securityholders and certain regulatory and other conditions being satisfied.

The cash price of A\$1.80 per security under the Transaction represents a premium of:

- 56% over the closing price on 27 April 2011 of A\$1.155, being the last trading day prior to this announcement;
- 52% based on the one month volume weighted average price (VWAP) to 27 April 2011: and
- 52% based on the three month VWAP to 27 April 2011.

The Transaction is to be implemented via a court approved Scheme of Arrangement and Trust Scheme (together the 'Schemes'). The Valad Directors unanimously recommend the Schemes in the absence of a superior proposal and subject to an Independent Expert's opinion that the Schemes are in the best interests of Valad securityholders.

Valad Chairman, Trevor Gerber, said: "The Valad Board is focused on maximising value for Valad securityholders. The Transaction represents a substantial premium to the current Valad security price.

"The Valad Board has been considering a range of strategic options to maximise securityholder value, including maintaining the status quo, a recapitalisation via an equity raising, a series of select asset sales and an orderly wind up. After receipt and assessment of the Blackstone proposal, the Valad Board considers that it provides the most certain value proposition for all Valad securityholders," Mr Gerber said.

Valad Acting CEO Clem Salwin said: "Valad's executive team has been committed this year to a renewed focus on our core competencies and activities.

We have been implementing strategies to strengthen and simplify our business and to improve transparency for all our stakeholders."

The implementation of the Scheme requires the approval of VPG securityholders. The Scheme Booklet, which is expected to be mailed to securityholders in June, will include a more detailed explanation of the Transaction along with a copy of the Independent Expert's report. It is anticipated that the securityholders' meeting to consider the Offer will be held in early July 2011, with completion in July 2011 if the Scheme is approved by securityholders and the other conditions are satisfied.

The deed contains a number of provisions in relation to non-solicitation of competing proposals, break fees and liability for breaches of the SID. These provisions include a break fee of A\$2.1 million, equivalent to 1% of Transaction equity value, payable by VPG or Blackstone in the event of certain breaches of the SID or the failure to perform obligations under the SID. Any liability which Blackstone may have in connection with the Transaction would be capped at this amount. In addition, VPG is subject to customary exclusivity arrangements.

Change in ownership of convertible notes

Valad has been notified that, as part of a separate transaction, Kimco has sold its interest in the Valad convertible notes to an entity affiliated with Blackstone. The transfer of the convertible notes is not conditional on the Scheme.

A copy of the Scheme Implementation Deed is attached to this announcement.

Valad is being advised by Fort Street Advisers and Mallesons Stephen Jaques.

ENDS

Investor/Analyst

Clem Salwin Acting Chief Executive Officer Valad Property Group Tel: +61 2 8257 6683

Media enquiries

lan Pemberton Principal P&L Corporate Tel: +61 2 9231 5411

About Valad

Valad Property Group is a listed real estate investment group with an international network of local offices managing A\$8 billion as at December 2010 in 7 geographic regions.

Its core business is value-adding real estate, specialising in multi-let commercial and industrial property, with local asset management teams taking care of approximately 8,500 tenant customers in 900 properties.

Valad has 290 staff and 23 offices in 13 countries.

www.valad.com.au

Scheme Implementation Deed

Schedule 2 – Conditions Precedent to implementation of the Schemes

| | | | Party entitled to benefit | |
|-----|----------------------|---|---|-----|
| (a) | Regulatory Approvals | | | |
| | (i) | the S waiti exter period of an lapse and a jurise matte of Va whice be no | sulatory Authority) Before 8.00am on second Court Date, all appropriate ing and other time periods (including any asions of such waiting and other time ods) under applicable laws or regulations by relevant jurisdiction having expired, and or been terminated (as appropriate) all regulatory obligations in any relevant diction in respect of the Schemes or any er arising from the proposed acquisition and Stapled Securities by the Bidders the are agreed by Valad and the Bidders to excessary (including those listed in adule 4) having been complied with. | All |
| | (ii) | (No restraining orders) That between the date of this deed and 8.00am on the Second Court Date: | | All |
| | | (A) | there is not in effect any preliminary or final decision, order or decree issued by a Regulatory Authority; | |
| | | (B) | no application is made to any Regulatory Authority, or action or investigation is announced, threatened or commenced by a Regulatory Authority, | |
| | | | nsequence of, or in connection with, the mes which: | |
| | | (C) | restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the Schemes or the completion of any transaction contemplated by the Schemes (whether subject to conditions or not) or the rights of the Bidders in respect of Valad and the Valad Stapled Securities to be acquired under the Offer; or | |
| | | (D) | requires the divestiture by the Bidders | |

Condition Party entitled to benefit of any Valad Stapled Securities, or the divestiture of any assets of Valad or its Related Bodies Corporate, the Bidders or their Related Bodies Corporate or otherwise; unless any such decision, order, decree, application, action or investigation has been satisfactorily disposed of or is otherwise no longer effective or enforceable, by 8.00am on the Second Court Date; (b) Company Scheme approval Cannot be waived Valad Securityholders approve the Company Scheme by the requisite majorities in accordance with the Corporations Act. (c) Trust Scheme approval Valad Securityholders approve the Trust Scheme by Cannot be waived passing the Trust Resolutions by the requisite majorities in accordance with the Corporations Act. (d) Court approval The Court approves the Company Scheme in Cannot be waived accordance with section 411(4)(b) of the Corporations Act and provides the Second Judicial Advice. Third party consents (e) All approvals of a third party which are listed in A11 Schedule 7 and any additional approvals of a third party which the Bidders and Valad agree are necessary or desirable to Implement the Schemes are obtained including consents to avoid breach of any change of control provisions. (f) **Independent Expert** The Independent Expert issues the Independent All Expert's Report which concludes that the Schemes are in the best interests of Scheme Participants and are fair and reasonable before the date on which the Scheme Booklet is lodged with ASIC and the Independent Expert does not change or withdraw this conclusion before 8.00am on the Second Court Date. (g) No Valad Prescribed Occurrence There not occurring a Valad Prescribed Occurrence Bidders between the date of this deed and 8.00am on the Second Court Date, unless the action or omission giving rise to the Valad Prescribed Occurrence has been consented to by the Bidders in their sole discretion.

© Mallesons Stephen Jaques 10690842 11

Scheme Implementation Deed 28 April 2011

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| | Condition | Party entitled to benefit |
|-----|---|---------------------------|
| (h) | No Valad Material Adverse Change | |
| | There not occurring a Valad Material Adverse Change between the date of this deed and 8.00am on the Second Court Date. | Bidders |
| (i) | No termination | |
| | This deed has not been terminated in accordance with clause 10. | All |
| (j) | Deed Poll | |
| | Between the date of this deed and the date of sending the Scheme Booklet, the Bidders sign and delivers the Deed Poll. | Valad |
| (k) | Change in law | |
| | After the date of this deed and before the Second Court Date, there is no change in law which: | Bidders |
| | (i) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the implementation of the Schemes or the completion of any transaction contemplated by the Schemes (whether subject to conditions or not) or the rights of the Bidders in respect of Valad and the Valad Stapled Securities to be acquired under the Schemes; or | |
| | (ii) requires the divestiture by the Bidders of any Valad Stapled Securities, or the divestiture of any assets of Valad or its Related Bodies Corporate, the Bidders or their Related Bodies Corporate or otherwise. | |
| (1) | Valad Board's recommendations | |
| | The Valad Board not withdrawing, changing or qualifying its recommendation to Valad Securityholders to approve the Schemes before 8.00am on the Second Court Date. | Bidders |
| (m) | Valad warranties | Bidders |
| | The Valad warranties set out in clause 9.4 being true and correct in all material respects on the date of this deed and at 8.00am on the Second Court Date. | |
| (n) | Bidders warranties | Valad |
| | The Bidders warranties set out in clause 9.1 being true and correct in all material respects on the date of this deed and at 8.00am on the Second Court Date. | |
| (o) | Valad Options | Bidders |
| | The Bidders are provided with evidence to their satisfaction, acting reasonably, demonstrating that all Valad Options that have not been exercised prior to | |

→ SCHEME IMPLEMENTATION DEED (continued)

Condition

Party entitled to benefit

5.00pm on the Record Date will expire at that time such that no Valad Options will remain on issue at 5.00pm on the Record Date.

Scheme Implementation Deed

Schedule 3 - Timetable

| Date | Schemes of arrangement | |
|------------------------------|--|--|
| THURS 28 April 2011 | Announcement Date | |
| TUES 10 May 2011 | Lodge with ASIC the Scheme Booklet (and Independent Expert's Report) | |
| | Lodge with ASIC drafts of the Trust Supplemental Deed Polls (for the Trust Scheme) | |
| MON 30 May 2011 | First Court Date | |
| TUE 7 June 2011 | Despatch of Scheme Booklet and other meeting materials to Valad Securityholders | |
| MON 27 June 2011 | Advertise Second Court Date for Schemes | |
| MON 4 July 2011 | Record Date for Scheme Meetings | |
| THU 7 July 2011 ¹ | Company Scheme Meeting held | |
| | Trust Scheme Meeting held | |
| THU 7 July 2011 | Apply to Court for Second Court Hearing | |
| MON 11 July 2011 | Second Court Date | |
| TUE 12 July 2011 | Order approving company scheme sealed by court and lodged with ASIC and ASX | |
| | Execution and lodgement of Trust Supplemental Deed Polls (Trust Schemes) | |
| MON 18 July 2011 | Record Date for Schemes | |
| THU 21 July 2011 | Payment Date (date for payment by Bidders) | |
| MON 25 July 2011 | Implementation Date | |

¹ Section 249HA of the Corporations Act requires that 28 days' notice be given for a meeting of a listed company. Clause 18.3 of the Constitution of VFML provides that notices sent by post are taken to be received on the day after the date of posting. Clause 8.4 of the Constitution of VFML provides that in computing the period of notice of a general meeting, both the day on which the notices are given or taken to be given and the day the meeting convened by it are to be disregarded.



Scheme Implementation Deed

Schedule 4 - Regulatory Approvals

1 ASIC relief

1.1 Relief required by Valad only

- **Item 7 relief:** in relation to the Trust Scheme modification of item 7 of s611 to facilitate voting for the Trust Scheme.
- **FSG:** relief from the obligation to provide a financial services guide under Division 2 of Part 7.7 of the Corporations Act, in relation to certain financial services in connection with the Transaction.

1.2 Relief required by both Valad and the Bidders

- Financial Product Advice: In relation to the Trust Scheme, relief from the obligation to hold a licence to provide financial product advice under s911A in the Scheme Booklet in relation to the Trust Scheme.
- Unsolicited offer provisions: In relation to the Trust Scheme, relief from the obligation to comply with Division 5A of Part 7.9 of the Corporations Act in relation to any unsolicited offer to acquire units in VPT.

2 ASX confirmations/approvals

Each of the following are required to be obtained by Valad:

- LR15.1: Statement of no objections in relation to the Explanatory
 Memorandum contained in the Scheme Booklet and to any changes to
 the constitution of VPT in connection with the Trust Scheme and the
 Transaction;
- LR6.12.3: Confirmation, for the purposes of Listing Rule 6.12.3, that
 the changes are approved, so far as they give rise to a divestment of units
 in VPT, on the basis that they are appropriate and equitable;
- **Timetable:** Confirmation that the timetable for implementation of the Trust Scheme is acceptable;
- Delisting: Approval of delisting of Valad under Listing Rule 17.11 and the timing of delisting; and
- Security: A waiver of the obligation to seek approval of the giving of security under Listing Rule 10.1 in connection with the Bidders replacement debt facility.

3 Foreign regulatory relief/approval

The Bidders

Each of the following are required to implement the Schemes:

- (FIRB) a statement from the Foreign Investment Review Board of Australia that the Treasurer of Australia approves or does not object to the acquisition by the Bidders of the Valad Stapled Securities as contemplated by the Schemes (subject only to conditions acceptable to the Bidders, acting reasonably), or the Treasurer ceasing to be empowered to make any order in respect of the Schemes because of the lapse of time following notice of the Schemes;
- (EU Competition) the approval of the Schemes by the European Commission shall have been granted under Article 6(1)(b), 6(2), 8(1) or 8(2) of Council Regulation (EC) No 139/2004 of the European Union (the "EUMR"), as amended, or by failing to issue a decision by the time the relevant waiting period has expired approval of the Schemes by the European Commission shall be deemed to have been granted under Article 10(6) of the EUMR, provided that if the European Commission has adopted a decision under Article 9 of the EUMR to refer the Schemes in whole or in part to any competent authority of any Member State of the European Union or of the European Economic Area, all such competent authorities in each Member State of the European Union or of the European Economic Area to which the whole or part of the Schemes have been referred shall have approved the Schemes, or applicable waiting periods in respect of the Schemes shall have expired or been earlier terminated, provided further that, for the avoidance of doubt, if only part of the Schemes have been referred to a Member State of the European Union or of the European Economic Area, the European Commission shall have approved that part of the Schemes not so referred to a competent authority under Article 6(1)(b), 6(2), 8(1) or 8(2) of the EUMR, or by failing to issue a decision by the time the relevant waiting period has expired approval of that part of the Schemes not so referred to a competent authority by the European Commission shall be deemed to have been granted under Article 10(6) of the EUMR; and
- (UK FSA) the Bidders and any other person who is to acquire control over a UK authorised person on implementation of the Schemes has given a section 178 notice (as defined in section 178(3) of the FSMA) in respect of the Schemes, and prior to implementation of the Schemes:
 - the FSA has given notice in writing in accordance with section 189(4) or, if applicable, 189(7), of the FSMA that the FSA approves (subject only to conditions acceptable to the Bidders, acting reasonably) of each such person so acquiring control over the relevant UK authorised person and each such approval is in full force and effect; or
 - the FSA is treated as having given its approval in relation to each such notice by virtue of section 189(6) of the FSMA.

For the above purposes:

→ SCHEME IMPLEMENTATION DEED (continued)

- FSA means the Financial Services Authority of the United Kingdom;
- FSMA means the Financial Services and Markets Act 2000 (UK);
- **UK authorised person** has the meaning given in section 191G(1) of the FSMA; and
- the meaning of **acquire control** and related expressions is determined in accordance with section 181 and 182 of the FSMA, read, to the extent relevant, with article 4 of the Financial Services and Markets Act 2000 (Controllers)(Exemption) Order 2009."
- (GFSC) receipt from the Guernsey Financial Services Commission of notices of no objection to the change in ownership of the entities in the Valad Group regulated by the GFSC and satisfaction of notification requirements to the GFSC in respect of such entities.

Scheme Implementation Deed

Schedule 5 - Valad's obligations

- (Valad Information) ensure that the Valad Information included in the Scheme Booklet complies with applicable law, the Listing Rules and applicable ASIC Regulatory Guides.
- 2 (Further Valad Information) provide to the Bidders and Valad Securityholders such further or new Valad Information as may arise after the Scheme Booklet has been sent as may be necessary to ensure that the Valad Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).
- 3 (Independent Expert) promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable it to prepare the Independent Expert's Report, or any updates to such report, which will be incorporated by reference into the Scheme Booklet.
- 4 **(Provide a copy of the report)** on receipt, provide the Bidders with a copy of any draft or final report or reports received from the Independent Expert.
- Directors' recommendation) state in the Scheme Booklet and the Announcement (as applicable, and subject to the Valad Directors making the recommendations in clause 3.9(a)) that each of the Valad Directors recommends to Valad Securityholders that the Schemes be approved in the absence of a Superior Proposal, unless either or both of the circumstances in clauses 3.9(b)(i) or 3.9(b)(ii) apply.
- 6 (Directors' voting) use its reasonable endeavours to procure that each member of the Valad Board who has a Relevant Interest in Valad Stapled Securities votes any such Valad Stapled Securities in favour of the Schemes and any other resolution submitted to Scheme Participants for their approval in connection with the Schemes unless either or both of the circumstances in clauses 3.9(b)(i) or 3.9(b)(ii) applies.
- 7 **(Registry details)** subject to the terms of the Schemes and any applicable laws:
 - (a) provide all necessary information about Valad Securityholders to the Bidders which the Bidders reasonably require in order to assist the Bidders to solicit the votes of Valad Securityholders in connection with the Schemes.
 - (b) provide all necessary directions to the Registry to promptly provide any information that the Bidders reasonably request in relation to the Register, including any sub-register, and, where requested by the Bidders, Valad must procure such information to be provided to the Bidders in such electronic form as is reasonably requested by the Bidders.
- 8 **(Section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Company Scheme.

- 9 **(Court application)** apply to the Court for:
 - (a) an order under section 411(1) of the Corporations Act directing Valad to convene the Company Scheme Meeting; and
 - (b) the First Judicial Advice.
- (Registration of explanatory statement) request ASIC to register the explanatory statement included in the Scheme Booklet in relation to the Company Scheme in accordance with section 412(6) of the Corporations Act.
- (Send Scheme Booklet) send the Scheme Booklet to Valad Securityholders as soon as practicable after the Court orders Valad to convene the Company Scheme Meeting.
- 12 **(Scheme Meetings)** seek the approval of Scheme Participants for the Schemes and, for this purpose, the Valad Directors must participate in reasonable efforts to promote the merits of the Schemes, including meeting with key Scheme Participants at the reasonable request of the Bidders.
- 13 (Court order and Second Judicial Advice) apply to the Court for
 - (a) an order approving the Company Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act; and
 - (b) the Second Judicial Advice.
- (Trust Supplemental Deed Poll (Trust Scheme)) conditional on the passing of the Trust Scheme Resolutions, execute the Trust Supplemental Deed Poll (Trust Scheme).
- 15 **(Lodge)** lodge with ASIC:
 - (a) an office copy of any such Court order approving the Scheme as approved by the holders of the VFML Shares at the Company Scheme Meeting in accordance with section 411(10) of the Corporations Act; and
 - (b) the duly executed Trust Supplemental Deed Poll (Trust Scheme) as applicable.
- (Registration) register all transfers of Valad Stapled Securities to the Bidders on the Implementation Date.
- 17 (Other steps) do all other things necessary to give effect to the Schemes and the orders of the Court approving the Company Scheme.

Scheme Implementation Deed

Schedule 6 - Bidders' obligations

- (Blackstone Information) provide to Valad for inclusion in the Scheme Booklet such Blackstone Information as Valad reasonably requires to prepare and issue the Scheme Booklet (including any information required under the Corporations Act, Corporations Regulations, or ASIC Regulatory Guides 60 or 64) and ensure that the Blackstone Information included in the Scheme Booklet complies with applicable law, the Listing Rules and applicable ASIC Regulatory Guides.
- 2 (Further Blackstone Information) provide to Valad such further or new Blackstone Information as may arise after the Scheme Booklet has been sent as may be necessary to ensure that the Blackstone Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission).
- 3 (Independent Expert information) provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report, or any updates to such report, which will be incorporated by reference into the Scheme Booklet.
- 4 **(Representation)** procure that it is represented by counsel at the court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through its counsel the Bidders must undertake (if requested by the court) to do all such things and take all such steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this deed and the Schemes.
- 5 (Deed Poll) prior to the Scheme Booklet being sent sign and deliver the Deed Poll;
- 6 (Accuracy of information) confirm to Valad the accuracy of the Blackstone Information.
- 7 (Share transfer) if the Schemes become Effective, accept a transfer of the Valad Stapled Securities on the Implementation Date.
- 8 **(Scheme Consideration)** if the Schemes becomes Effective, provide or procure the provision of the Scheme Consideration in the manner and amount contemplated by clause 3 and the terms of the Schemes.
- 9 (Approvals, consents and notifications) provide any information required by Valad for the purpose of obtaining the Regulatory Approvals or the consents and approvals referred to in clause 2(a)(i).



Schedule 7 - Consents

- (a) Consent of the Corporate Facility Agent (Commonwealth Bank of Australia) under the Fifth Amended and Restated Sale and Purchase Agreement dated on or about 13 March 2009 ("Corporate Facility"), between various parties as set out in that document, regarding a Review Event (as defined in the Corporate Facility) regarding a change of control event as a result of the Transaction.
- (b) Consent of UBS under the UBS Documents (as defined in the Corporate Facility) regarding a change of control event as a result of the Transaction.
- (c) Consent under the Co-Owners Agreement 207 Pacific Highway, St Leonards NSW ("Agreement") dated 30 August 2004 (as amended from time to time), and currently between The Trust Company Limited as custodian for the 207 20% Owner Trust and as custodian of the 207 30% Owner Trust ("TCL"), Valad Commercial Management Limited as trustee for the 207 20% Owner Trust and as trustee for 207 30% Owner Trust ("VCML"), and Eureka Funds Management Limited as trustee for Alternative Investment (Real Estate) Private Syndicate regarding any Dealing (as defined in the Agreement) regarding the granting of security over VCML's interest in the property located at 207 Pacific Highway, St Leonards NSW.
- (d) Consent under Valad Fields Holding Trust Investors' Agreement between Valad Funds Management Limited ("VFML"), Platypus Investments LLC and Valad Commercial Management Limited as trustee of Valad Fields Holding Trust ("VCML") dated 30 June 2008 as amended from time to time regarding the transfer of and/or creation of any encumbrance over VFML's or VCML's units in the Valad Fields Holdings Trust.
- (e) Consent under the Management Agreement for the Sheraton Noosa currently between Noosa Venture 1 Pty Limited as trustee for the Noosa Venture Trust and Starwood Australia Hotels Pty Ltd dated 14 June 1989 as amended from time to time regarding the granting of security by Noosa Venture 1 Pty Limited over its assets.

Signing page

DATED: 28 April 2011 **EXECUTED** by Jennifer Landard Katherine Grace as attorney to where D FUNDS MANAGEMENT LIMITED under power of attorney dated in the presence of: Signature of witness Katherine Grace By executing this deed the attorney states that the attorney has received no CLOM SALWIN Name of witness (block letters) notice of revocation of the power of Signature of witness Jennifer Lambert By executing this deed the attorney Name of witness (block letters) states that the attorney has received no notice of revocation of the power of

attorney

→ SCHEME IMPLEMENTATION DEED (continued)

| EXECUTED by |) |
|---|--|
| as attorney for VALAD COMMERCIAL MANAGEMENT LIMITED in its capacity as responsible entity of VALAD PROPERTY TRUST under power of attorney dated | Arm 12 TA |
| in the presence of: | Jennifer Lamber |
| |) |
| Signature of witness | By executing this deed the attorney states that the attorney has received no notice of revocation of the power of attorney |
| Name of witness (block letters) |) |
| Signature of witness | By executing this deed the attorney states that the attorney has received no notice of revocation of the power of attorney |
| Name of witness (block letters) | |
| EXECUTED for and on behalf of ACORN FM TRUSCO PTY LIMITED as trustee for Acorn FM Unit Trust, by a director in the presence of: |)))) |
| Witness' signature |) Director's signature |
| Witness' office |) Director's full name) |
| Witness' full name | |
| | |

|) |
|--|
| |
|) |
| By executing this deed the attorney states that the attorney has received no notice of revocation of the power of attorney |
|)) |
| By executing this deed the attorney states that the attorney has received no notice of revocation of the power of attorney |
| |
|) Director's signature |
| Robert C. Heady Director's full name |
|)))) |
| |

→ SCHEME IMPLEMENTATION DEED (continued)



| EXECUTED for and on behalf of ACORN FM HOLDINGS (UK) |) |
|--|------------------------|
| LIMITED, by a director in the |) |
| presence of: Lana Moutant | |
| Witness' signature |) Director's signature |
| Pevalegal | Michael Pegler |
| Witness' office |) Director's full name |
| Lana Mouroux |))) |
| Witness' full name |) |
| |) |
| |) |

→ COMPANY SCHEME



FINAL

Scheme of arrangement

This scheme of arrangement is made pursuant to section 411 of the Corporations Act Between

Valad Funds Management Limited (ABN 89 102 249 294) ("VFML") and

Each person registered as a holder of any fully paid shares in Valad Funds Management Limited (ABN 89 102 249 294) as at 5:00pm on the Record Date.

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1 Definitions and interpretation

1.1 Definitions

In this Scheme:

ACCC means the Australian Competition and Consumer Commission.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited or the Australian Securities Exchange as the context requires.

Bidco means Acorn FM Holdings (UK) Limited (Company number 7608659).

Bidders means each of Bidco and Bidtrust.

Bidtrust means Acorn FM Trusco Pty Limited (ACN 150 554 251) as trustee for Acorn FM Unit Trust.

Business Day means a business day as defined in the Listing Rules.

Company Scheme means this scheme of arrangement in relation to VFML together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.

Company Scheme Holder means each holder of VFML Shares on the Record Date.

Company Scheme Meeting means the meeting to be convened by the Court at which Valad Securityholders will vote on the Scheme.

Corporations Act means the Corporations Act 2001 (Cwlth).

Court means a court of competent jurisdiction under the Corporations Act.

Deed Poll means the deed poll executed by Bidco and Bidtrust in favour of Scheme Participants substantially in the form of Annexure A to the Implementation Deed.

Effective when used in relation to the Schemes means all of the following events having occurred:

- (a) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Company Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC; and
- (b) the Trust Supplemental Deed Poll (Trust Scheme) taking effect pursuant to section 601GC(2) of the Corporations Act.

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

Encumbrance means any security for the payment of money, including any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit à prendre, easement or any other security arrangement or any other arrangement having the same effect.

End Date means 30 August 2011 or such later date as may be agreed between the Bidders and Valad.

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Guidance Note 15 means Guidance Note 15: Listed Trusts and Managed Investment Scheme Mergers issued by the Takeovers Panel of Australia.

Implementation Date means the fifth Business Day following the Record Date in the case of the Schemes or such later date as may be agreed by the parties.

Implementation Deed means the Scheme Implementation Deed dated 28 April 2011 between VFML, VCML, Bidco and Bidtrust.

Listing Rules means the Listing Rules of ASX.

Payment Date means the date which is two (2) Business Days prior to the Implementation Date.

Record Date means the fifth Business Day following the Second Court Date or such other date as Valad and the Bidders may agree.

Register means the securities register of Valad and Registry has a corresponding meaning.

Regulatory Authority includes:

- ASX or any other stock exchange on which the securities of any party are listed, ACCC, ASIC;
- (b) a government or governmental, semi-governmental or judicial entity or authority;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government;
- (d) any regulatory organisation established under statute;
- (e) the Australian Taxation Office;
- (f) the Foreign Investment Review Board of Australia;
- the Commission of the European Union (or such authority referred by such Commission); (g)
- (h) the Guernsey Financial Services Commission; and
- (i) any other relevant regulatory authorities.

Scheme Consideration means, for each Valad Stapled Security held by a Scheme Participant as at 5.00pm on the Record Date, A\$1.80 (allocated as to A\$0.01 for each VFML Share and A\$1.79 for each VPT Unit).

Scheme Meetings means the Company Scheme Meeting and the Trust Scheme Meeting.

Scheme Participant means each person who is a Valad Securityholder as at 5.00pm on the Record Date.

Schemes means the Company Scheme and the Trust Scheme.

Scheme of arrangement

Scheme Securities means the Valad Stapled Securities which comprise the Scheme Shares and the Scheme Units.

Scheme Shares means all of the VFML Shares held by each Company Scheme Holder as at 5.00pm on the Record Date.



Scheme Shares Transfer means, for each Company Scheme Holder, a duly completed and executed proper instrument of transfer of all Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

Scheme Units means all of the VPT Units held by each Trust Scheme Holder as at 5.00pm on the Record Date.

Scheme Units Transfer means, for each Trust Scheme Holder, a duly completed and executed proper instrument of transfer of all Scheme Units for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Units.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Company Scheme.

Stapling Deed means the stapling deed between VFML and VCML as responsible entity of VPT dated 29 October 2002.

Trust Scheme means the arrangements, in accordance with Guidance Note 15, under which Bidtrust acquires all of the VPT Units from each of the Valad Securityholders facilitated by amendments to the Trust Constitution as set out in the Trust Supplemental Deed Poll (Trust Scheme), subject to the requisite VPT members' approval.

Trust Scheme Holder means each holder of VPT Units on the Record Date.

Trust Scheme Meeting means the meeting of VPT Unitholders to be convened pursuant to the VPT Constitution and Part 2G.4 of the Corporations Act to consider the Trust Scheme Resolutions.

Trust Scheme Resolutions means the resolutions of Valad Securityholders to approve the Trust Scheme including a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the VPT Constitution as set out in the Trust Supplemental Deed Poll (Trust Scheme), a resolution for the purposes of Item 7 of Section 611 of the Corporations Act and a resolution to provide for the unstapling of VPT Units from the VFML Shares on the Implementation Date, pursuant to clause 13.13 of the VPT Constitution.

Valad means VFML and VPT.

Valad Securityholder means each person registered in the Register as a holder of Valad Stapled Securities.

Valad Stapled Security means a VFML Share stapled to a VPT Unit, in accordance with the provisions of the Stapling Deed, the VFML Constitution and the VPT Constitution.

VCML means Valad Commercial Management Limited (ABN 76 101 802 046) in its own capacity and as responsible entity of VPT.

VFML means Valad Funds Management Limited (ABN 89 102 249 294).

VFML Constitution means the constitution of VFML, as amended.

VFML Share means a fully paid ordinary share in VFML.

VPT means Valad Property Trust (ARSN 102 618 824).

VPT Constitution means the constitution that established VPT dated 11 October 2002, as amended.

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VPT Unit means a fully paid ordinary unit in VPT.

1.2 Reference to certain general terms

Unless the contrary intention appears, a reference in this Scheme to:

- (a) (variations or replacement) a document (including this Scheme) includes any variation or replacement of it;
- (b) (clauses, annexures and schedules) a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this Scheme;
- (c) (reference to statutes) 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;
- (d) (law) law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, reenactments or replacements of any of them);
- (e) (singular includes plural) the singular includes the plural and vice versa;
- (f) (person) the word "person" includes an individual, a firm, a body corporate, a
 partnership, a joint venture, an unincorporated body or association, or any Regulatory
 Authority;
- (g) (executors, administrators, successors) a particular person includes a reference to the
 person's executors, administrators, successors, substitutes (including persons taking by
 novation) and assigns;
- (h) (agreement in favour of multiple persons) an agreement, representation, warranty or covenant in favour of two or more persons is for the benefit of them jointly and each of them individually;
- (i) (agreement by multiple persons) an agreement, representation, warranty or covenant by two or more persons binds them jointly and each of them individually;
- (j) (multiple persons) a group of persons is a reference to them jointly and to each of them individually;
- (k) (dollars) Australian dollars, dollars, A\$ or \$ is a reference to the lawful currency of Australia;
- (calculation of time) a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;
- (m) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (n) (meaning not limited) the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind; and
- (o) (time of day) time is a reference to Sydney time.



1.3 Next Business Day

If an event under this Scheme must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.

1.4 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this Scheme.

2 Preliminary

2.1 Preliminary matters

- (a) VFML is a public company incorporated in Australia, registered in New South Wales and is a company limited by shares.
- (b) VPT is a registered managed investment schemes. VCML is the responsible entity of VPT.
- (c) VFML and VPT are admitted to the official list of the ASX and Valad Stapled Securities are officially quoted on the securities market conducted by ASX.
- (d) As at 28 April 2011, 115,108,116 Valad Stapled Securities in total were on issue.
- (e) Bidco is Acorn FM Holdings (UK) Limited (Company number 7608659).
- (f) Bidtrust is Acorn FM Trusco Pty Limited (ACN 150 554 251) as trustee for Acorn FM Unit Trust.
- (g) If the Schemes become Effective:
 - in consideration of the transfer of the VFML Shares to Bidco and the VPT Units to Bidtrust, VFML will procure Bidco and Bidtrust to provide the Scheme Consideration to each Scheme Participant in accordance with the terms of the Schemes:
 - (ii) all Stapled Securities will be de-stapled such that they can be dealt with separately;
 - (iii) the Scheme Shares will be transferred to Bidco and simultaneously the Scheme Units will be transferred to Bidtrust, on the Implementation Date; and
 - (iv) VFML will enter the name of Bidco in the Register as the holder of all Scheme Shares in accordance with the terms of the Company Scheme and simultaneously VCML will enter the name of Bidtrust in the Register as the holder of all Scheme Units in accordance with the terms of the Trust Scheme.

2.2 Implementation Deed and Deed Poll

- (a) VFML and VCML, Bidco and Bidtrust have agreed by executing the Implementation Deed to implement the terms of the Schemes.
- (b) Bidco and Bidtrust have executed the Deed Poll by which they covenanted to perform their obligations under the Schemes, including to provide the Scheme Consideration.

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Scheme of arrangement

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3 Conditions

3.1 Conditions precedent

The Scheme is conditional on all the conditions precedent in clause 3 and schedule 2 of the Implementation Deed having been satisfied or waived (other than those conditions precedent which cannot be waived) in accordance with the terms of the Implementation Deed.

3.2 Conditions precedent and operation of clause 4

The satisfaction or waiver (other than those conditions precedent which cannot be waived) of each condition referred to in clause 3.1 is a condition precedent to the operation of clause 4.

3.3 Certificate

VFML and Bidco must provide to the Court on the Second Court Date a certificate confirming whether or not all conditions precedent to the Schemes (other than the condition precedent relating to Court approval) have been satisfied or waived as at 8.00am on the Second Court Date.

3.4 End Date

The Company Scheme and the Trust Scheme and will lapse and be of no further force or effect if the Effective Date does not occur on or before the End Date and the Implementation Deed has been terminated in accordance with its terms.

4 The Company Scheme

4.1 Binding

If and when the Schemes become Effective, the Schemes will (and each Scheme Participant irrevocably acknowledges that it will):

- bind VFML, VCML and all Scheme Participants, including those who do not attend any Scheme Meeting, those who do not vote at any Scheme Meeting and those who voted against any of the Schemes;
- (b) to the extent permitted by law prevail over the VFML Constitution and VPT Constitution, in each case to the extent of any inconsistency.

4.2 Lodgement of Court order with ASIC

VFML must lodge with ASIC an office copy of the Court order approving the Company Scheme by 5.00pm on the first Business Day after the day on which the Court approves the Company Scheme.

4.3 Transfer and registration of Scheme Securities

On the Implementation Date, subject to the payment of the Scheme Consideration by the Bidders in accordance with clauses 5.2(a) and 5.2(b):

(a) the Scheme Shares together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidco without the need for any further act by any Scheme Participant (other than acts performed by VFML or its directors or secretaries as attorney and agent for Scheme Participants under clause 7.1) by:



- (i) in the case of Scheme Shares in a CHESS holding, Valad procuring that a message is transmitted to ASX Settlement Pty Ltd (ABN 49 008 504 532) in accordance with the ASX Settlement Operating Rules so as to transfer the Scheme Shares held by the Scheme Participant from the CHESS subregister of Valad to the issuer sponsored subregister operated by the Company;
- (ii) VFML delivering to Bidco a duly completed and executed Scheme Shares Transfer for registration;
- Bidco duly executing the Scheme Shares Transfer and delivering it to VFML for registration;
- (iv) VCML delivering to Bidtrust a duly completed and executed Scheme Units Transfer for registration; and
- Bidtrust duly executing the Scheme Units Transfer and delivering it to VCML for registration;
- (b) immediately after receipt of the duly executed Scheme Shares Transfer, and simultaneously with the action to be undertaken under clause 4.3(c), VFML must enter the name of Bidco in the Register in respect of all Scheme Shares transferred to Bidco in accordance with the terms of the Schemes; and
- (c) immediately after receipt of the duly executed Scheme Units Transfer, and simultaneously with the action to be undertaken under clause 4.3(b) VCML must enter the name of Bidtrust in the Register in respect of all Scheme Units transferred to Bidtrust in accordance with the terms of the Schemes.

4.4 Title and rights in Scheme Securities

- (a) On and from the Implementation Date, Bidco will be beneficially entitled to the Scheme Shares transferred to it under the Schemes, pending registration by VFML of Bidco in the Register as the holder of the Scheme Shares.
- (b) On and from the Implementation Date, Bidtrust will be beneficially entitled to the Scheme Units transferred to it under the Schemes, pending registration by VCML of Bidtrust in the Register as the holder of the Scheme Units.

4.5 Scheme Participants' agreements

The Scheme Participants agree to the transfer of their Scheme Securities, and to receive their entitlement to the Scheme Consideration, in accordance with the Schemes.

4.6 Status of Scheme Securities

- (a) To the extent permitted by law, the Scheme Securities (including all rights and entitlements attaching to those stapled securities) transferred to Bidco and Bidtrust will be transferred free from all Encumbrances and interests of third parties (legal or otherwise).
- (b) Each Scheme Participant warrants VFML in its own capacity and on behalf of Bidco and Bidtrust that:
 - all their Scheme Securities (including all rights and entitlements attaching to those stapled securities) transferred to Bidco and Bidtrust under the Schemes will, as at the date of the transfer, be fully paid and free from all Encumbrances and interests of third parties (legal or otherwise); and

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Scheme of arrangement

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(ii) they have full power and capacity to sell and to transfer their Scheme Securities (including any rights and entitlements attaching to those shares) to Bidco and Bidtrust under the Schemes.

4.7 Appointment as sole proxies

From the Effective Date until VFML registers Bidco in the Register as the holder of the Scheme Shares and VCML registers Bidtrust in the Register as the holder of the Scheme Units transferred under the Scheme, each Scheme Participant:

- (a) appoints VFML as attorney and agent (and directs VFML in such capacity) to appoint Bidco, Bidtrust and each of their respective directors from time to time (jointly and each of them individually) as its sole proxy and where applicable, corporate representative, to attend securityholders' meetings, exercise the votes attaching to Scheme Securities registered in its name and sign any securityholders' resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 4.7(a)); and
- (b) must take all other actions in the capacity of the registered holder of the Scheme Securities as the Bidders direct.

VFML undertakes in favour of each Scheme Participant that it will appoint Bidco, Bidtrust and each of their respective directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 4.7(a).

5 Scheme Consideration

5.1 Scheme Consideration

The consideration under the Schemes is A\$1.80 for each Valad Stapled Security comprising:

- (a) A\$0.01 for the VFML Share component ("Scheme Share Consideration"); and
- (b) A\$1.79 for the VPT Unit component ("Scheme Unit Consideration").

5.2 Consideration under the Schemes - Payment

- (a) On the Payment Date, VFML must procure that Bidco pay to the Company Scheme Holders the Scheme Share Consideration by paying the Scheme Share Consideration for all of the Scheme Shares in cleared funds into the trust account of Link Market Services Limited (ABN 54 083 214 537) ("Registrar") to be held by the Registrar for the Bidders until the Scheme Shares are transferred to the Bidders and thereafter for distribution to the Company Scheme Holders on the Implementation Date.
- (b) On the Payment Date, VCML must procure that Bidtrust pay to the Trust Scheme Holders the Scheme Unit Consideration by paying the Scheme Unit Consideration for all of the Scheme Units in cleared funds into the trust account of Link Market Services Limited (ABN 54 083 214 537) to be held by the Registrar for the Bidders until the Scheme Units are transferred to the Bidders and thereafter for distribution to the Trust Scheme Holders.
- (c) On the Implementation Date, VFML must cause the Registrar to pay the Scheme Share Consideration received pursuant to clause 5.2(a) to the Company Scheme Holders according to their respective entitlements and VCML must cause the Registrar to pay the



Scheme Unit Consideration received pursuant to clause 5.2(b) to the Trust Scheme Holders according to their respective entitlements, in each case either by:

- electronic funds transfer to an account nominated by the Scheme Participant prior to the Implementation Date; or
- (ii) cheque sent by pre-paid post to the address of the Scheme Participant on the Register.

5.3 Joint holders

In the case of Valad Stapled Securities held in joint names any bank cheque or electronic payment required to be paid to Scheme Participants by the Registrar must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at 5.00pm on the Record Date.

5.4 Fractions

If a fractional entitlement to part of a cent in cash arises from the calculation of the total amount of cash to be paid to a Scheme Participant, then that fractional entitlement will be rounded:

- (a) where the fraction is 0.5 or more up; and
- (b) where the fraction is less than 0.5 down

to the nearest whole cent.

5.5 Interest

Any interest accrued on the Scheme Consideration held in the trust account or accounts in accordance with clauses 5.2(a) and 5.2(b) (whether accrued prior to the distribution of the Scheme Consideration from such account or accounts in accordance with clause 5.2(c) or while any of the Scheme Consideration remains unclaimed where any cheques have not been presented) shall be the property of Valad.

6 Dealings in Valad Stapled Securities

6.1 Determination of Scheme Participants

To establish the identity of the Scheme Participants, dealings in Valad Stapled Securities will only be recognised if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered
 in the Register as the holder of the relevant Valad Stapled Securities before 5.00pm on
 the Record Date; and
- (b) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received before 5.00pm on the Record Date at the place where the Register is kept.

6.2 Register

(a) VFML and VCML must register any registrable transmission applications or transfers of the Valad Stapled Securities received in accordance with clause 6.1(b) on or before 5.00pm on the Record Date.

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- (b) If the Schemes become Effective, a holder of Valad Stapled Securities (and any person claiming through that holder) must not dispose of, encumber or otherwise deal with, or purport or agree to do so with respect to, any Scheme Securities or any interest in them after the Record Date (except a transfer to Bidco, in respect of Scheme Shares, and Bidtrust, in respect of Scheme Units, pursuant to the Schemes).
- (c) VFML and VCML will not accept for registration or recognise for any purpose any transmission, application or transfer in respect of Valad Stapled Securities which are or will become Scheme Securities received after 5.00pm on the Record Date or received prior to this time not in registrable form (except a transfer to Bidco, in respect of Scheme Shares, and Bidtrust, in respect of Scheme Units, pursuant to the Schemes and any subsequent transfer by Bidco or Bidtrust or their successors in title).
- (d) For the purpose of determining entitlements to the Scheme Consideration, VFML and VCML will maintain the Register in accordance with the provisions of this clause 6 until the Scheme Consideration has been paid to the Scheme Participants. The Register in this form will solely determine entitlements to the Scheme Consideration.
- (e) All certificates and statements of holding in respect of Valad Stapled Securities will cease to have effect after 5.00pm on the Record Date as documents of title in respect of those Valad Stapled Securities which are or will become Scheme Securities (other than statements of holding in favour of Bidco, in respect of Scheme Shares, and Bidtrust, in respect of Scheme Units, and their successors in title). After 5.00pm on the Record Date, each entry current on the Register as at 5.00pm on the Record Date in respect of those Valad Stapled Securities which are or will become Scheme Securities (other than entries in respect of Bidco, in respect of Scheme Shares, and Bidtrust, in respect of Scheme Units, or their successors in title) will cease to have effect except as evidence of entitlement to the Scheme Consideration.
- (f) Within three Business Days after the Record Date VCML and VFML will ensure that details of the names, registered addresses and holdings of Scheme Securities for each Scheme Participant, as shown in the Register at 5.00pm on the Record Date, are provided to the Bidders in such form as the Bidders reasonably require.

6.3 Quotation of Valad Stapled Securities

- (a) VFML must apply to ASX for the suspension of trading on ASX of Valad Stapled Securities from the close of trading on ASX on the Effective Date.
- (b) Within two Business Days after the Implementation Date, VFML must apply to ASX:
 - (i) for termination of the official quotation of Valad Stapled Securities on ASX; and
 - (ii) to have VFML and VPT removed from the official list of ASX.

7 General Scheme provisions

7.1 Power of attorney

Upon the Schemes becoming Effective, each Scheme Participant, without the need for any further act by any Scheme Participant, irrevocably appoints VFML and each of its directors and secretaries (jointly and each of them individually) as its attorney and agent for the purpose of doing all things and executing all documents necessary or expedient to give effect to the Schemes, the Implementation Deed and the transactions contemplated by each of them, including the Scheme Shares Transfer and the Scheme Units Transfer.

→ COMPANY SCHEME (continued)



7.2 Variations, alterations and conditions

VFML may, with the consent of the Bidders (which cannot be unreasonably withheld), by its counsel or solicitor consent on behalf of all persons concerned to any variations, alterations or conditions to the Company Scheme, the Trust Scheme which the Court thinks fit to impose.

7.3 Further action by VFML

VFML will execute all documents and do all things necessary or expedient to implement, and perform its obligations under, the Schemes and the transactions contemplated by them.

7.4 Authority and acknowledgement

Each of the Scheme Participants:

- irrevocably consents to VFML doing all things necessary or expedient for or incidental to the implementation of the Schemes;
- (b) irrevocably acknowledges that the Schemes bind VFML, VCML and all Scheme Participants (including those who do not attend any Scheme Meeting or do not vote at any Scheme Meeting or vote against any Scheme at any Scheme Meeting);
- (c) irrevocably agrees to the transfer of all of their Scheme Shares to Bidco and all of their Scheme Units to Bidtrust in accordance with the Schemes; and
- (d) irrevocably agrees to the modification or variation (if any) of the rights attaching to their Valad Stapled Securities arising from the Schemes.

7.5 Stamp duty

VFML will procure that the Bidders pay all stamp duty payable in connection with the Schemes.

7.6 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to VFML, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at VFML's registered office or at the office of the registrar of Valad Stapled Securities.
- (b) The accidental omission to give notice of any Scheme Meeting or the non-receipt of such a notice by any Valad Securityholder shall not, unless so ordered by the Court, invalidate a Scheme Meeting or the proceedings of a Scheme Meeting (including any resolution passed at a Scheme Meeting).

7.7 Governing law

The Company Scheme and the Trust Scheme are governed by the law in force in New South Wales. Each party submits to the non-exclusive jurisdiction of the courts of that place.

→ TRUST SCHEME (SUPPLEMENTAL DEED)

Mallesons Stephen Jaques

FINAL

Tenth Supplemental Deed Valad Property Trust

Dated

Valad Commercial Management Limited (ABN 76 101 802 046) in its capacity as trustee and responsible entity of Valad Property Trust (ARSN 102 618 824) ("Manager")

Mallesons Stephen Jaques

Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.mallesons.com



Tenth Supplemental Deed Valad Property Trust

Details

| Parties | Mana | ger | |
|---------------|------------------|---|--|
| Manager | nager Name | | Valad Commercial Management Limited in its capacity as trustee and responsible entity of Valad Property Trust (ARSN 102 618 824) |
| | ABN | | 76 101 802 046 |
| | Addres | SS | Level 9, 1 Chifley Square Sydney NSW 2000 |
| | Attenti | on | Company Secretary |
| Recitals | Α | The Trust is governed by the Constitution. The Trust is registered as a managed investment scheme under Chapter 5C of the Corporations Act. | |
| | В | constitutio | 1GC(1) of the Corporations Act provides that the n of a registered scheme may be modified, or nd replaced with a new constitution: |
| | | (a) by | y special resolution of the members of the scheme; |
| be a | | the | the responsible entity if it reasonably considers e change will not adversely affect members' ghts. |
| | | be amende | ase 24.1 of the Constitution, the Constitution may d by Resolution and the Manager may give effect ification by executing a supplemental deed. |
| | D | the Austral modify the to the Reso | ger proposes to execute this deed and lodge it with lian Securities and Investments Commission to Constitution, as set out in this deed, to give effect olution to modify the Constitution that was passed rs of the Trust at the meeting held on 7 July 2011. |
| Governing law | New South Wales | | |
| Date of deed | See Signing page | | |

Tenth Supplemental Deed Valad Property Trust

General terms

1 Interpretation

1.1 Definitions

Terms used in this deed have the same meaning as in the Constitution unless otherwise defined in this deed or the context requires otherwise.

Commencement Date: the later of the date on which a copy of this supplemental deed is lodged with the Australian Securities and Investments Commission, and the "Effective Date" as defined in the Scheme Implementation Deed.

Constitution: the deed dated 11 October 2002 (as amended by nine previous supplemental deeds) under which the Trust is established and governed.

Scheme Implementation Deed: the Scheme Implementation Deed dated 28 April 2011 between the Manager, Valad Funds Management Limited, Acorn FM Trusco Pty Limited as trustee for Acorn FM Unit Trust, and Acorn FM Holdings (UK) Limited.

Trust: the registered managed investment scheme known as Valad Property Trust (ARSN 102 618 824).

1.2 Deed supplemental to Constitution

This deed is supplemental to the Constitution.

1.3 Headings

Headings are inserted for convenience only and do not affect the interpretation of this deed.

2 Modifications to the Constitution

The Constitution is modified on and from the Commencement Date by:

- (a) deleting clause 29.2;
- (b) adding a new clause 31.8 titled "Schedule" with the text "Schedule 2 is an operative part of this constitution."; and
- (c) inserting in the Constitution a new Schedule 2 immediately following Schedule 1 as set out in the schedule to this supplemental deed.

3 No redeclaration etc

The Manager declares that it is not, by this deed:

- (a) resettling or redeclaring the Trust; or
- (b) causing the transfer, vesting or accruing of property in any person.

4 Governing law

This deed will be governed by the laws in force in the place specified in the Details. Each person affected by it must submit to the non-exclusive jurisdiction of the courts of that place and the courts of appeal from them.

EXECUTED and DELIVERED as a deed poll.



Schedule – New schedule 2

Schedule 2 - Scheme

1 Interpretation

1.1 Definitions

Unless the contrary intention appears, in this schedule capitalised terms not defined have the following meanings, and terms not defined in this paragraph 1.1 have the same meaning as in clause 31.1 of the Constitution. In the case of any inconsistency in the definitions between the body of the Constitution and this Schedule 2, this Schedule 2 prevails.

ASX: ASX Limited or Australian Securities Exchange, as appropriate.

ASX Settlement: ASX Settlement Pty Limited (ABN 49 008 504 532).

ASX Settlement Operating Rules: the operating rules of the settlement facility of ASX Settlement for the purposes of the Corporations Act.

Bid Vehicles: the Company Bid Vehicle and the Trust Bid Vehicle.

Business Day: a Business Day as defined in the Listing Rules of ASX.

CHESS: the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement.

Company: Valad Funds Management Limited ACN 102 249 294.

Company Bid Vehicle: Acorn FM Holdings (UK) Limited (Company number 7608659).

Company Scheme: the scheme of arrangement for the acquisition of all the Shares in the Company by Company Bid Vehicle, together with any modification or amendment made pursuant to section 411(6) of the Corporations Act.

Constitution: the constitution of Valad Property Trust of which this Schedule 2 forms a part.

Deed Poll: the deed poll executed by the Bid Vehicles in favour of the Scheme Participants in respect of the Schemes.

Encumbrance: any security for the payment of money, including any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit à prendre, easement or any other security arrangement or any other arrangement having the same effect.

Effective: when used in relation to the Schemes, is both of the following events taking place:

- (a) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Company Scheme, but in any event not before an office copy of the order of the Court is lodged with ASIC; and
- (b) the supplemental deed amending the Constitution, including the insertion of this Schedule 2, taking effect pursuant to section 601GC(2) of the Corporations Act.

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

Implementation Date: the fifth Business Day after the Record Date, or such later date as may be agreed between the Company, the Manager and the Bid Vehicles.

Manager: Valad Commercial Management Limited (ACN 101 802 046) in its capacity as trustee and responsible entity of the Trust.

Meeting: the meeting of holders of Units convened by the Manager pursuant to clause 17.1 of the Constitution to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting.

Record Date: 5.00pm (Sydney time) on the fourth Business Day following the Effective Date, or such other date (after the Effective Date) as the Manager, the Company and the Bid Vehicles may agree in writing.

Register: the register of holders of Units, or the register of holders of Stapled Securities, as the context requires.

Registry: Link Market Services Limited (ABN 54 083 214 537) of Level 12, 680 George Street, Sydney NSW 2000, Australia.

Schemes: the Trust Scheme and the Company Scheme.

Scheme Consideration: A\$1.80 for each Stapled Security held by a Scheme Participant as at the Record Date, allocated as to A\$0.01 for a Share and A\$1.79 for a Unit.

Scheme Implementation Deed: the implementation deed dated 28 April 2011 between the Manager, Valad Funds Management Limited, Trust Bid Vehicle and Company Bid Vehicle.

Scheme Participant: a person who is registered in the Register as the holder of any Stapled Securities as at the Record Date.

Scheme Transfer: for each Scheme Participant, a proper instrument of transfer of the Units which are or were part of Scheme Securities for the purpose of section 1071B of the Corporations Act, and which may be a master transfer of all Units which are or were part of Scheme Securities.

Scheme Securities: all of the Stapled Securities on issue as at the Record Date.

Share: a fully paid ordinary share in the Company.

Stapled Security: a Share stapled to a Unit, in accordance with the provisions of the Stapling Deed, the Constitution and the constitution of the Company.

Stapling Deed: the stapling deed between the Company and the Manager dated 29 October 2002.

Trust: the Valad Property Trust established under the Constitution.

Trust Bid Vehicle: Acorn FM Trusco Pty Limited ACN 150 554 251 as trustee for Acorn FM Unit Trust, established under a trust deed dated 27 April 2011.

Trust Scheme: the arrangement under which the Trust Bid Vehicle acquires all of the Units as at the Record Date, facilitated by the amendment of the Constitution to provide the Manager with powers to sell all Units on behalf of the holders of such Units to the Trust Bid Vehicle, and the exercise of those powers.

Trust Scheme Resolutions: the resolutions of holders of Units to approve the Trust Scheme, including:

- (a) a resolution for the purposes of item 7 of section 611 of the Corporations Act to approve the acquisition of all the Units which were part of Scheme Securities by Trust Bid Vehicle:
- (b) a resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the Constitution to facilitate the Trust Scheme; and
- (c) a resolution to provide for the unstapling of Units from Shares on the Implementation Date, pursuant to clause 13.13 of the Constitution.

Unit: a fully paid ordinary unit in the Trust.

1.2 Interpretation

Unless the contrary intention appears, in this schedule a reference to a "paragraph" is a reference to a numbered paragraph of this schedule.



2 Scheme

2.1 Recognising dealings in Stapled Securities

- (a) For the purpose of establishing the persons who are Scheme Participants, dealings in Stapled Securities will only be recognised if:
 - (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Stapled Securities by the Record Date; and
 - (ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Registry by the Record Date.
- (b) The Manager must register registrable transfers or transmission applications of the kind referred to in paragraph 2.1(a)(ii) by the last date permitted for registration of transfer of Scheme Shares under the Company Scheme. The persons shown in the Register, and the number of Stapled Securities shown as being held by them, after registration of those transfers and transmission applications will be taken to be the Scheme Participants, and the number of Stapled Securities held by them, on the Record Date.
- (c) The Manager must not accept for registration, nor recognise for any purpose (including for the purpose of establishing the persons who are Scheme Participants), any transfer or transmission application in respect of Stapled Securities received after the Record Date (or received prior to the Record Date not in registrable form) nor any transfer or transmission in respect of dealings in Stapled Securities that have occurred on ASX after the close of business on the Business Day after the Effective Date.
- (d) The Manager will maintain or procure the maintenance of the Register in accordance with this paragraph 2.1. The Register immediately after registration of registrable transfers or transmission applications of the kind referred to in paragraph 2.1(a)(ii) will solely determine the persons who are Scheme Participants and their entitlements to the Scheme Consideration.
- (e) From the Record Date and until registration of Trust Bid Vehicle as the holder of all Units which are or were part of Scheme Securities, and Company Bid Vehicle as the holder of all Shares which are part of Scheme Securities, no Scheme Participant (or any person purporting to claim through any Scheme Participant) may deal with Stapled Securities or Units in any way except as set out in this Schedule 2 and any attempt to do so will have no effect.
- (f) Other than in respect of the Bid Vehicles (after registration of the Bid Vehicles as the holders of all Units and Shares which are or were part of Scheme Securities under paragraph 2.3(d)), from the Record Date, all certificates and holding statements (as applicable) for Scheme Securities as at the Record Date will cease to have any effect as evidence of title, and each entry on the Register as at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Participants to the Scheme Consideration.

2.2 Scheme Consideration

- (a) Each Scheme Participant will be entitled to receive for each Scheme Security held by that Scheme Participant on the Record Date the Scheme Consideration, which must be paid in the manner referred to in this paragraph 2.2.
- (b) The Manager must procure that the Bid Vehicles pay the Scheme Consideration two Business Days before the Implementation Date by paying the Scheme Consideration for all of the Scheme Securities in cleared funds into the trust account of Link Market Services Limited (ABN 54 083 214 537) ("Registrar") to be held by the Registrar for the Bidders until the Scheme Securities are transferred to the Bidders and thereafter for

distribution to Scheme Participants (any interest on the amount will be for the account of Valad).

Subject to the Bid Vehicles having provided the Scheme Consideration in the manner contemplated by paragraph 2.2(b), the Manager must procure that within one Business Days after the Implementation Date such amount is drawn to pay to each Scheme Participant such amount in Australian currency as the Scheme Participant is entitled to receive as Scheme Consideration in accordance with the **Schemes**, either by:

- electronic funds transfer to an account nominated by the Scheme Participant prior to the Implementation Date for the purpose of payment of distributions or the Scheme Consideration; or
- (ii) cheque sent by pre-paid post:
 - (A) in the case of Scheme Participants who are registered as holding the Stapled Securities jointly – to the address recorded in the Register at the Record Date of the person whose name appears first in the Register in respect of the joint holding; or
 - (B) otherwise to the Scheme Participant's address recorded in the Register at the Record Date.
- (d) If the Manager believes that a Scheme Participant is not known at the Scheme Participant's address recorded in the Register, and no account has been notified in accordance with paragraph 2.2(c)(ii)(A), or a deposit into such an account is rejected or refunded, the Manager may credit the amount payable to the relevant Scheme Participant to a separate bank account of the Manager to be held until the Scheme Participant claims the amount or the amount is dealt with in accordance with any applicable unclaimed money legislation. If the Manager elects to proceed in this manner:
 - the Manager must hold the amount on trust, but any interest accruing on the amount will be for the account of the Bid Vehicles;
 - (ii) an amount credited to the account is to be treated as having been paid to the Scheme Participant when credited to the account; and
 - (iii) the Manager must maintain records of the amounts paid, the people who are entitled to the amounts and any transfers of the amounts.
- (e) If any amount is required under any Australian law or by any Australian government or any Australian governmental, semi-governmental or judicial entity or authority to be:
 - (i) withheld from an amount payable under paragraph 2.2(c)(ii) and paid to that entity or authority; or
 - (ii) retained by the Manager out of an amount payable under paragraph 2.2(c)(ii),

its payment or retention by the Manager will constitute the full discharge of the Manager's obligations under paragraphs 2.2(c)(ii) or 2.2(e) with respect to the amount so paid or retained until, in the case of paragraph 2.2(f)(ii), it is no longer required to be retained.

- (f) If a fractional entitlement to part of a cent in cash arises from the calculation of the total amount of cash to be paid to a Scheme Participant, then that fractional entitlement will be rounded:
 - (i) where the fraction is 0.5 or more up; and
 - (ii) where the fraction is less than 0.5 down

to the nearest whole cent.



2.3 Transfers to Bid Vehicles

On the Implementation Date, subject to the Bid Vehicles having provided the Scheme Consideration in the manner contemplated by paragraph 2.2(b), the following will occur:

- (a) the Units and Shares which are components of the Scheme Securities will be unstapled from each other in accordance with a Resolution for the purposes of clause 13.13 of the Constitution, and a resolution of the members of the Stapled Company;
- (b) all of the Units which were part of Scheme Securities, together with all rights and entitlements attaching to those Units, will be transferred to Trust Bid Vehicle without the need for any further act by any Scheme Participant (other than acts performed by the Manager or its directors, officers or attorneys as attorney or agent of the Scheme Participants under paragraph 2.6 or otherwise) and must be transferred to Trust Bid Vehicle (and at the same time the Shares, together with all rights and entitlements attaching to those Shares, which were part of Scheme Securities will be transferred to Company Bid Vehicle, pursuant to the Company Scheme);
- (c) the Manager will procure:
 - (i) in the case of Scheme Securities in a CHESS holding, a message to be transmitted to ASX Settlement in accordance with ASX Settlement Operating Rules so as to transfer the Scheme Securities held by the Scheme Participants from the CHESS sub-register of the Manager and the Stapled Company to the issuer sponsored sub-register operated by the Manager and the Stapled Company; and
 - (ii) the delivery to Trust Bid Vehicle of transfers of all the Units which were part of Scheme Securities to Trust Bid Vehicle duly completed and executed on behalf of the Scheme Participants in the form of Scheme Transfers which transfer all of the Units which were part of Scheme Securities to Trust Bid Vehicle (and at the same time a similar transfer of the Shares which were part of Scheme Securities to Company Bid Vehicle will also occur pursuant to the Company Scheme); and
- (d) the Manager will, immediately following receipt of the executed Scheme Transfers in respect of the Units which were part of Scheme Securities from Trust Bid Vehicle, enter the name and address of Trust Bid Vehicle in the Register in respect of all of those Units.

2.4 Implementation of the Schemes

- (a) The Manager and each Scheme Participant must do all things and execute all deeds, instruments, transfers or other documents as may be necessary, desirable or reasonably incidental to give full effect to the Schemes and the transactions contemplated by it.
- (b) Without limiting the Manager's other powers under this Schedule 2, the Manager has power to do all things that it considers necessary, desirable or reasonably incidental to give effect to the Schemes, this Schedule 2, the Scheme Implementation Deed and the transactions contemplated by them.
- (c) Subject to the Corporations Act, the Manager or any of its directors, officers, employees or associates, may do any act, matter or thing described in or contemplated by this Schedule 2 even if they have an interest (financial or otherwise) in the outcome of such exercise.

2.5 Covenants and representations by the Manager and Scheme Participants

Each Scheme Participant:

 irrevocably acknowledges that the Trust Scheme binds the Manager and all Scheme Participants, including those who do not attend the Meeting, do not vote at the Meeting or vote against any of the Trust Scheme Resolutions;

- (b) irrevocably agrees to the transfer of all of their Units held at the Record Date (including as part of Stapled Securities) to Trust Bid Vehicle in accordance with this Schedule 2;
- (c) irrevocably agrees to the modification or variation (if any) of the rights attaching to their Units arising from this Schedule 2; and
- (d) irrevocably consents to the Manager doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Schemes, this Schedule 2, the Scheme Implementation Deed and the transactions contemplated by them.

2.6 Appointment of the Manager as attorney and as agent for implementation of the Schemes

Each Scheme Participant, without the need for any further act by that Scheme Participant, irrevocably appoints the Manager as that Scheme Participant's attorney and as that Scheme Participant's agent for the purpose of:

- (a) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of the Schemes, this Schedule 2, the Scheme Implementation Deed and the transactions contemplated by them, including effecting a valid transfer or transfers of Units which are part of Scheme Securities to Trust Bid Vehicle under paragraph 2.3(b), including executing and delivering any Scheme Transfers, and a valid transfer or transfers of the Shares which are part of the Stapled Securities to Company Bid Vehicle; and
- (b) enforcing the Deed Poll against the Bid Vehicles,

and the Manager accepts such appointment. The Manager, as attorney and as agent of each Scheme Participant, may sub-delegate its functions, authorities or powers under this paragraph 2.6 to all or any of its directors and officers (jointly, severally, or jointly and severally) or to the Company. Each Scheme Participant indemnifies the Manager and each of its directors and officers against all losses, liabilities, charges, costs and expenses arising from the exercise of powers under this paragraph 2.6.

2.7 Appointment as sole proxies

From the Effective Date until the Bid Vehicles are registered in the Register as the holder of the Stapled Securities, each Scheme Participant:

- (a) appoints the Manager as attorney and agent (and directs the Manager in such capacity) to appoint Trust Bid Vehicle, Company Bid Vehicle and each of their respective directors from time to time (jointly and each of them individually) as its sole proxy and where applicable, corporate representative, to attend securityholders' meetings, exercise the votes attaching to Stapled Securities registered in its name and sign any securityholders' resolution, and no Scheme Participant may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to this clause 2.7(a)); and
- (b) must take all other actions in the capacity of the registered holder of the Stapled Securities as the Bid Vehicles direct.

The Manager undertakes in favour of each Scheme Participant that it will appoint Trust Bid Vehicle, Company Bid Vehicle and each of their respective directors from time to time (jointly and each of them individually) as that Scheme Participant's proxy or, where applicable, corporate representative in accordance with clause 2.7(a).

2.8 Status of Scheme Securities

(a) To the extent permitted by law, the Units which were part of Scheme Securities transferred to Trust Bid Vehicle under this Schedule 2 will be transferred free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise.

→ TRUST SCHEME (SUPPLEMENTAL DEED)

- (b) The Scheme Participants are deemed to have warranted to the Manager in its own right and on behalf of Trust Bid Vehicle that all their Units which were part of Scheme Securities (including any rights and entitlements attaching to those Units) which are transferred to Trust Bid Vehicle under this Schedule 2 will, at the date they are transferred to Trust Bid Vehicle, be fully paid and free from all Encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind not referred to in the Constitution, and that they have full power and capacity to sell and to transfer such Units (including as part of Stapled Securities, and including any rights and entitlements attaching to those Units or Stapled Securities).
- (c) Trust Bid Vehicle will be beneficially entitled to the Units which were part of Scheme Securities transferred to it under this Schedule 2 pending registration by the Manager of the name and address of Trust Bid Vehicle in the Register as the holder of the Units.

2.9 Suspension and termination of quotation of Units

- (a) The Manager must apply to ASX for suspension of trading of the Stapled Securities on the financial market known as the Australian Securities Exchange conducted by ASX with effect from the close of trading on ASX on the Effective Date.
- (b) Within two Business Days after the Implementation Date, the Manager must join with the Company in applying to ASX for termination of official quotation of the Stapled Securities on the financial market known as the Australian Securities Exchange conducted by ASX and the removal of the Company and the Trust from the official list of the ASX with effect from the time agreed by the Bid Vehicles, the Company and the Manager.

2.10 Effect of this Schedule 2

This Schedule 2:

- (a) binds the Manager and all Scheme Participants, including those who do not attend the Meeting, those who do not vote at that meeting and those who vote against the Trust Scheme Resolutions at that meeting; and
- (b) overrides the other provisions of the Constitution to the extent of any inconsistency, other than clause 24.2 (Statutory requirements).

2.11 Manager's limitation of liability

Subject to the Corporations Act, without derogating from any limitation of the Manager's liability in the Constitution, the Manager has no liability of any nature whatsoever to Members beyond the assets of the Trust arising, directly or indirectly, from the Manager doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with the implementation of the Schemes in accordance with this Schedule 2 and the Scheme Implementation Deed.

2.12 Amendment of this Schedule 2

The Manager may amend the terms of this Schedule 2 if such amendment is not inconsistent with the approval given by Members at the Trust Scheme Meeting and such amendment does not adversely affect the rights of the Members whose Units are to be transferred under the Trust Scheme, and this Schedule 2 will apply as amended.

Tenth Supplemental Deed Valad Property Trust

Signing page

| DATED: | |
|---|--|
| EXECUTED by |) |
| as attorney for VALAD COMMERCIAL MANAGEMENT LIMITED in its capacity as responsible entity of VALAD PROPERTY TRUST under power of attorney dated | |
| in the presence of: |) |
| Signature of witness | By executing this deed the attorney states that the attorney has received no notice of revocation of the power of attorney |
| Name of witness (block letters) |) |
| Signature of witness | By executing this deed the attorney states that the attorney has received no notice of revocation of the power of attorney |
| Name of witness (block letters) | |



Mallesons Stephen Jaques

Execution Version

Deed Poll

Dated

liver #85

2011

Given by Acorn FM Trusco Pty Limited (ACN 150 554 251) as trustee for Acorn FM Unit Trust ("Bidtrust") and Acorn FM Holdings (UK) Limited (Company number 7608659) ("Bidco")

In favour of each holder of any Valad Stapled Securities as at 5.00 pm on the Record Date ("Scheme Participants")

Mallesons Stephen Jaques

Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.mallesons.com

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Deed Poll

Details

| Parties | Bidco and Bidtrust in favour of each Scheme Participant | | |
|---------------|---|--|--|
| Bidtrust | Name | Acorn FM Trusco Pty Limited (ACN 150 554 251) as trustee for Acorn FM Unit Trust | |
| | Address | Suite 2802, Angel Place, 123 Pitt Street, Sydney NSW 2000 | |
| | Telephone | +61 2 8016 7200 | |
| | Fax | +61 2 8016 7201 | |
| | Attention | Company Secretary | |
| Bidco | Name | Acorn FM Holdings (UK) Limited (Company number 7608659) | |
| Address | | 40 Berkeley Square London W1J5AL United Kingdom | |
| | Telephone | +61 2 8016 7200 | |
| | Fax | +61 2 8016 7201 | |
| | Attention | Company Secretary | |
| Recitals | | ectors of VFML and VCML have each resolved ad should propose the Schemes. | |
| | Shares w | ct of the Schemes will be that 100% of the VFML will be transferred to Bidco and 100% of the VPT ll be transferred to Bidtrust. | |
| | | VFML, VCML, Bidtrust and Bidco have entered into the Implementation Deed. | |
| | | In the Implementation Deed, Bidtrust and Bidco agreed (amongst other things) to pay the Scheme Consideration. | |
| | purpose to perfor | Bidtrust and Bidco are entering into this deed poll for the purpose of covenanting in favour of Scheme Participants to perform their respective obligations under the Implementation Deed and the Schemes. | |
| Governing law | New South Wales | | |

Date of deed See Signing page

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Deed Poll

General terms

1 Definitions and interpretation

1.1 Definitions

In this deed poll (unless the context otherwise requires):

- (a) Authorised Officer means, in respect of a party, a director or secretary
 of the party or any other person appointed by a party to act as an
 Authorised Officer under this deed poll;
- (b) **Implementation Deed** means the Scheme Implementation Deed between Valad, Bidtrust and Bidco dated 28 April 2011, as amended; and
- (c) words and phrases used in this deed poll have the same meaning as given to them in the Implementation Deed.

1.2 Interpretation

Clause 1.2 of the Implementation Deed applies to the interpretation of this deed poll except that references to "this deed" in that clause are to be read as references to "this deed poll".

1.3 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this deed poll.

1.4 Nature of deed poll

Bidtrust and Bidco acknowledge that this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though no Scheme Participants is a party to it.

2 Condition precedent and termination

2.1 Condition precedent

The obligations of Bidtrust and Bidco in respect of the Schemes and pursuant to this deed poll are conditional on, and subject to, the Schemes becoming Effective.

2.2 Termination

The obligations of Bidtrust and Bidco under this deed poll automatically terminate, and the terms of this deed poll will be of no further force or effect, if:

(a) the Schemes have not become Effective by the End Date; or

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(b) the Implementation Deed is terminated.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Participants:

- (a) each of Bidtrust and Bidco is released from its obligations to further perform this deed poll except those obligations contained in clauses 6.1 and 8.1, which by their nature survive termination; and
- (b) each Scheme Participant retains the rights, powers or remedies they have against Bidtrust and Bidco in respect of any breach of this deed poll which occurs before it is terminated.

3 Performance of obligations

Subject to clause 2, Bidtrust and Bidco undertake in favour of each Scheme Participant:

- (a) to do all things they are each required to do under the terms of the Company Scheme and the Trust Schemes in accordance with their terms even though they are not a party because the Schemes are between VFML and VPT and the Scheme Participants; and
- (b) in consideration of the transfer of the VFML Shares to Bidco and the VPT Units to Bidtrust in accordance with the Company Scheme and the Trust Schemes respectively, to pay or procure the payment of the Scheme Share Consideration and Scheme Unit Consideration in accordance with the terms of the Company Scheme and the Trust Scheme respectively.

4 Bidco and Bidtrust Warranties

Each of Bidco and Bidtrust represents and warrants in respect of itself that:

- (a) it is incorporated or established and validly existing under the laws of its place of its incorporation or establishment;
- (b) it has the power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
- (d) subject to the laws generally affecting creditors' rights and the principles of equity, this deed poll is valid and binding on it in accordance with its terms.



5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- Bidtrust and Bidco have fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6 Notices

6.1 Form

All notices or other communication in respect of this deed poll must be:

- (a) in writing;
- (b) signed by the sender (if an individual) or an Authorised Officer of the sender;
- (c) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.

6.2 Delivery

Communications must be:

- (a) left at the address set out or referred to in the Details;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details;
- (c) sent by fax to the fax number set out or referred to in the Details; or
- (d) given in any other way permitted by law.

However, if the intended recipient has notified a changed address or fax number, then communications must be to that address or fax number.

6.3 Copies of notices

All notices, certificates, consents, approvals, waivers and other communications in connection with this deed poll which are given to Bidtrust or Bidco must be copied to:

Peter Cook and Adam Laura Gilbert + Tobin Level 37 2 Park Street Sydney NSW 2000 Australia

Fax: +61 2 9263 4111

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Email: pcook@gtlaw.com.au alaura@gtlaw.com.au

6.4 When effective

Communications take effect from the time they are received or taken to be received under clause 6.5 (whichever happens first) unless a later time is specified.

6.5 When taken to be received

Communications are taken to be received:

- (a) if sent by post, three days after posting (or seven days after posting if sent from one country to another); or
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

6.6 Receipt outside business hours

Despite clauses 6.4 and 6.5, if communications are received or taken to be received under clause 6.5 after 5.00pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day and take effect from that time unless a later time is specified.

7 Bidtrust limitation of liability

- Bidtrust enters into this deed only in its capacity as trustee of Acorn FM Unit Trust.
- (b) Subject to clause 7(c):
 - (i) a liability arising under or in connection with this deed is limited to and can be enforced against Bidtrust only to the extent to which it can be satisfied out of property of Acorn FM Unit Trust out of which Bidtrust Trustee is actually indemnified for the liability. This limitation of Bidtrust liability applies despite any other provision of this deed and extends to all liabilities and obligations of Bidtrust in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this deed; and
 - (ii) a party may not sue Bidtrust in any capacity other than as trustee of Acorn FM Unit Trust, including seeking the appointment of a receiver (except in relation to property of Acorn FM Unit Trust), a liquidator, an administrator or any similar person to Bidtrust Acorn FM Unit Trust or prove in any liquidation, administration or arrangement of or affecting Bidtrust (except in relation to Bidtrust Trust Property).
- (c) Despite any other provision of this deed or any other agreement (including a deed or deed poll), clause 7(b) does not apply to any obligation or liability of Bidtrust to the extent that it is not satisfied because under the Bidtrust Trust Deed, or by operation of law, there is a reduction in the extent of Bidtrust's indemnification out of the assets of



Acorn FM Unit Trust, as a result of Bidtrust's fraud, wilful default or gross negligence.

(d) Bidtrust is not obliged to enter into any commitment or obligation under this deed unless its liability is limited in the same manner as in this clause 7.

8 General

8.1 Stamp duty

The Bidders must:

- (a) pay all stamp duty (including fines and penalties) payable and assessed on this deed poll, any instruments entered into under this deed poll and in respect of a transaction effected by or made under the Schemes and this deed poll; and
- (b) indemnify on demand each Scheme Participant against any liability arising from failure to comply with clause 8.1(a).

8.2 Waiver

- (a) A waiver of any right arising from a breach of this deed poll or of any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the party giving the waiver.
- (b) A failure or delay in exercise, or partial exercise, of:
 - (i) a right arising from a breach of this deed poll; or
 - (ii) a right, power, authority, discretion or remedy created or arising upon default under this deed poll,

does not result in a waiver of that right, power, authority, discretion or remedy.

- (c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this deed poll or on a default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.
- (d) A party may not rely on any conduct of another party as a defence to exercise of a right, power, authority, discretion or remedy by that other party.

8.3 Variation

A provision of this deed poll or any right created under it may not be varied, altered or otherwise amended unless the variation is agreed to by Valad and the Bidders in writing and the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Schemes, in which event Bidtrust and Bidco must enter into a further deed poll in favour of the Scheme Participants giving effect to the variation, alteration or amendment.

11

8.4 Remedies cumulative

The rights and remedies of Bidtrust, Bidco and the Scheme Participants under this deed poll are in addition to other rights and remedies given by law independently of this deed poll.

8.5 Assignment

The rights and obligations of Bidtrust, Bidco and each Scheme Participant under this deed poll are personal and must not be assigned or otherwise dealt with at law or in equity, unless, prior to the Second Court Date:

- (a) in the case of the Bidders, the transferee is an Affiliate of the Bidders; and
- (b) the transferee or assignee enters into arrangements to assume the obligations of the Bidders.

8.6 Governing law and jurisdiction

This deed poll is governed by the law in force in New South Wales. Bidtrust and Bidco submit to the non-exclusive jurisdiction of the courts of that place.

8.7 Further action

Bidtrust and Bidco must each execute all documents and do all things necessary or expedient to give effect to this deed poll.

EXECUTED and DELIVERED as a deed poll



Deed Poll

Signing page

| DATED: April 28, 2011 | |
|--|--------------------------------------|
| EXECUTED for and on behalf of ACORN FM TRUSCO PTY LIMITED as trustee for Acorn FM Unit Trust by a director in the presence of: | |
| Witness' signature | Director's signature |
| ATTORNEY AT LAW Witness' office | Robert C. Heady Director's full name |
| EMIN AUTIPARMAK Witness' full name |))))) |
| EXECUTED for and on behalf of ACORN FM HOLDINGS (UK) LIMITED by a director in the presence of: |))))) |
| Witness' signature |)) |
| Witness' office |)) |
| Witness' full name |) Director's full name))) |
| | , |

© Mallesons Stephen Jaques Deed Poll 10704540_1

Deed Poll

Signing page

| DATED: 28 LAPSIL 201 | |
|---|--|
| EXECUTED for and on behalf of ACORN FM TRUSCO PTY LIMITED as trustee for Acorn FM Unit Trust by a director in the presence of: | |
| Witness' signature |) Director's signature) |
| Witness' office Witness' full name |) |
| EXECUTED for and on behalf of ACORN FM HOLDINGS (UK) LIMITED by a director in the presence of: Witness' signature Witness' office Witness' full name | Director's signature Director's signature Director's full name |



Mallesons Stephen Jaques

EXECUTION VERSION

Variation Deed Poll

Dated

24 May

2011

Given by Acorn FM Trusco Pty Limited (ACN 150 554 251) as trustee for Acorn FM Unit Trust ("Bidtrust") and Acorn FM Holdings (UK) Limited (Company number 7608659) ("Bidco")

In favour of each holder of any Valad Stapled Securities as at 5.00 pm on the Record Date ("Scheme Participants")

Mallesons Stephen Jaques

Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.mallesons.com

10720608_2

Variation Deed Poll Contents

| Details | | 1 |
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| 1 | Variation | 3 |
| 2 | Governing law | 3 |
| 3 | Interpretation | 3 |
| Signing page | | 4 |



Details

| Parties | Bidco | Bidco and Bidtrust in favour of each Scheme Participant | |
|----------|-----------|--|--|
| Bidtrust | Name | | Acorn FM Trusco Pty Limited (ACN 150 554 251) as trustee for Acorn FM Unit Trust |
| | Addre | ss | Suite 2802, Angel Place, 123 Pitt Street, Sydney NSW 2000 |
| | Telep | hone | +61 2 8016 7200 |
| | Fax | | +61 2 8016 7201 |
| | Attent | ion | Company Secretary |
| Bidco | Name | | Acorn FM Holdings (UK) Limited (Company number 7608659) |
| | Addre | ss | 40 Berkeley Square London W1J5AL United Kingdom |
| | Telephone | | +61 2 8016 7200 |
| | Fax | | +61 2 8016 7201 |
| | Attent | ion | Company Secretary |
| Recitals | A | The directors of VFML and VCML have each resolved that Valad should propose the Schemes. | |
| | В | The effect of the Schemes will be that 100% of the VFML Shares will be transferred to Bidco and 100% of the VPT Units will be transferred to Bidtrust. VFML, VCML, Bidtrust and Bidco have entered into the Implementation Deed. In the Implementation Deed, Bidtrust and Bidco agreed (amongst other things) to pay the Scheme Consideration. Bidtrust and Bidco entered into the deed poll dated 28 April 2011 ("Deed Poll") for the purpose of covenanting in favour of Scheme Participants to perform their respective obligations under the Implementation Deed and the Schemes. | |
| | C | | |
| | D | | |
| | E | | |

| F | By separate letter agreement Bidtrust, Bidco and Valad |
|---|---|
| | have agreed to the variation of the terms of the Deed Poll on |
| | the terms set out in this variation deed poll. |

G Bidtrust and Bidco wish to amend the terms of the Deed Poll as set out in this variation deed poll.

| Governing law | New South Wales | |
|---------------|------------------|--|
| Date of deed | See Signing page | |



General terms

1 Variation

In accordance with clause 8.3 of the Deed Poll, the Deed Poll is hereby amended by deleting the words "in consideration of the transfer of the VFML Shares to Bidco and the VPT Units to Bidtrust in accordance with the Company Scheme and the Trust Schemes respectively" from clause 3(b).

2 Governing law

This variation deed poll is governed by the law in force in New South Wales. Bidtrust and Bidco submit to the non-exclusive jurisdiction of the courts of that place.

3 Interpretation

The terms used in this variation deed poll have the same meaning as in the Deed Poll unless the contrary intention appears.

EXECUTED and DELIVERED as a deed poll

Signing page

| DATED: 24 May 2011 | |
|--|------------------------------|
| EXECUTED for and on behalf of ACORN FM TRUSCO PTY LIMITED as trustee for Acorn FM Unit Trust by a director in the presence of: |))))))) |
| Witness' signature |) Director's signature) |
| Witness' office |)) Director's full name |
| Witness' full name | |
| EXECUTED for and on behalf of ACORN FM HOLDINGS (UK) LIMITED by a director in the presence of: | |
| Durand Witness' signature | Director's signature |
| Source Baliano + CALES Witness' office | MICHAEL JOHN AGELL |
| bycan conach Witness' full name |) Director's full name))) |



Signing page

| DATED: 24 May 2011 | |
|--|-----------------------------------|
| EXECUTED for and on behalf of ACORN FM TRUSCO PTY LIMITED as trustee for Acorn FM Unit Trust by a director in the presence of: |)))) |
| Witness' signature |) Clascilf) Director's signature |
| In-house legal Counsel Witness' office | |
| YIHAHV SUN Witness' full name |)))) |
| EXECUTED for and on behalf of ACORN FM HOLDINGS (UK) LIMITED by a director in the presence of: | |
| Witness' signature |))) Director's signature) |
| Witness' office |) |
| Witness' full name |) Director's full name)) |

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→ NOTICES OF SCHEME MEETINGS

NOTICE OF COMPANY SCHEME MEETING

Notice is given that by an order of the Supreme Court of New South Wales made on 30 May 2011 pursuant to section 411(1) of the Corporations Act, a meeting of the holders of shares in Valad Funds Management Limited (ACN 102 249 294) (the "**Company**") will be held as follows:

Time: 10 am

Date: Monday 4 July 2011

Place: The Adelaide Room

Sofitel Wentworth Hotel 61–101 Phillip Street

Sydney

The Court has also directed that Trevor Gerber act as chairman of the meeting or, failing him, Robert Seidler, and has directed the chairman to report the result of the meeting to the Court if the resolutions are approved.

BUSINESS OF THE MEETING - COMPANY SCHEME RESOLUTIONS

Resolution 1

To consider and, if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

"That, subject to and conditional on:

- (a) the Valad Securityholders passing Resolution 2 in the Notice of this Company Scheme Meeting, and passing the Trust Scheme Resolutions; and
- (b) the Court confirming that Valad Commercial
 Management Limited as responsible entity of VPT
 would be justified in acting upon the Trust Scheme
 Resolutions and in doing all things and taking all steps
 necessary to put the Trust Scheme into effect,

pursuant to and in accordance with section 411 of the Corporations Act, the arrangement proposed between the Company and the holders of its fully paid ordinary shares, designated the "Company Scheme", the terms of which are contained in and more particularly described in the Scheme Booklet (of which the Notice of this Company Scheme Meeting forms part), is agreed to and approved, with or without modification as approved by the Court."

Resolution 2

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to and conditional on the passing of Resolution 1 in the Notice of this Company Scheme Meeting, the unstapling of VPT units from VFML shares on the Implementation Date pursuant to article 23.12 of the VFML constitution is approved for all purposes."

Dated: 30 May 2011

Kim Elizabeth Sides

Company Secretary

Important notice

To enable you to make an informed decision on the resolutions, further information on the Company Scheme Resolutions is set out in the Scheme Booklet, of which this Notice of Company Scheme Meeting forms part. Terms used in this Notice of Company Scheme Meeting have the same meaning as set out in the Glossary in Part D of this Scheme Booklet. Details about your entitlement to vote, how to vote and how to appoint a proxy, attorney or corporate representative are set out in Part A of this Scheme Booklet.

NOTICE OF TRUST SCHEME MEETING

Notice is given that a meeting of holders of units in Valad Property Trust (ARSN 102 618 824) ("**Trust**") as confirmed by an order of the Supreme Court of New South Wales made on 30 May 2011 pursuant to section 63 of the Trustee Act 1925 (NSW) will be held as follows:

Time: Immediately following the Company

Scheme Meeting, shortly after 10 am

Date: Monday 4 July 2011

Place: The Adelaide Room Sofitel Wentworth Hotel

61–101 Phillip Street

Sydney

Trevor Gerber will act as chairman of the meeting or, failing him, Robert Seidler will act as chairman of the meeting.

BUSINESS OF THE MEETING - TRUST SCHEME RESOLUTIONS

Resolution 1 Amendment of the VPT constitution

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

"That, subject to and conditional on:

- (a) Resolution 2 in the Notice of Company Scheme Meeting (as set out in the Scheme Booklet of which the Notice of this Trust Scheme Meeting forms part) being passed; and
- (b) each of Resolution 2 and 3 in the Notice of this Trust Scheme Meeting being passed,

the VPT constitution be amended with effect on and from the Effective Date as set out in the Supplemental Deed, a copy of which accompanied the Notice of this Trust Scheme Meeting for the purpose of giving effect to the Trust Scheme and Valad Commercial Management Limited as responsible entity of VPT be authorised to execute and lodge with ASIC a copy of the Supplemental Deed."

Resolution 2 Acquisition of VPT units

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

"That, subject to and conditional on:

- (a) the Company Scheme being approved by the Court under section 411(4)(b) of the Corporations Act (with or without modification as approved by the Court) and an office copy of the order of the Court approving the Company Scheme being lodged with ASIC; and
- (b) each of Resolutions 1 and 3 in the Notice of this Trust Scheme Meeting being passed and an executed copy of the Supplemental Deed being lodged with ASIC before, or at the same time as the office copy of the orders of the Court approving the Company Scheme is lodged with ASIC,

the Trust Scheme (as described in the Scheme Booklet of which the Notice of this Trust Scheme Meeting forms part) be approved and, in particular, the acquisition by Acorn FM Trusco Pty Limited as trustee for Acorn FM Unit Trust of a relevant interest in all the VPT units existing as at the Record Date pursuant to the Trust Scheme be approved for all purposes including for the purposes of item 7 of section 611 of the Corporations Act.

Resolution 3

To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to and conditional on the passing of Resolutions 1 and 2, in the Notice of this Trust Scheme Meeting, the unstapling of VPT units from VFML shares on the Implementation Date pursuant to clause 13.13 of the VPT constitution is approved for all purposes."

Date: 30 May 2011

Kim Elizabeth Sides

Company Secretary

Important notice

To enable you to make an informed decision on the resolutions, further information on the Trust Scheme Resolutions is set out in the Scheme Booklet, of which this Notice of Trust Scheme Meeting forms part. Terms used in this Notice of Trust Scheme Meeting have the same meaning as set out in the Glossary in Part D of this Scheme Booklet. Details about your entitlement to vote, how to vote and how to appoint a proxy, attorney or corporate representative are set out in Part A of this Scheme Booklet.

PART DGLOSSARY

\rightarrow GLOSSARY

| The following defined to otherwise requires. | erms used throughout this Scheme Booklet have the meanings set out below unless the context |
|--|--|
| AIFRS | Australian equivalent of International Financial Reporting Standards. |
| ASIC | means Australian Securities and Investments Commission. |
| ASIC Regulatory Guide 60 and 74 | means "Regulatory Guide 60 (Schemes of arrangement)" issued by ASIC on 11 December 2009, and "Regulatory Guide 74 (Acquisitions agreed to by shareholders)" rebadged by ASIC as a regulatory guide on 5 July 2007. |
| ASX | means ASX Limited or the market operated by it, as the context requires. |
| Bidco | means Acorn FM Holdings (UK) Limited (Company number 7608659), a company established in England |
| Bidders | means Bidco and Bidtrust. |
| Bidtrust | means Acorn FM Trusco Pty Limited (ACN 150 554 251) as trustee for Acorn FM Unit Trust, an Australian unit trust. |
| Blackstone | means Blackstone Real Estate Advisors L.P. and its affiliates other than the Bidders. |
| Blackstone Funds | means funds, alternative investment vehicles and co-investments affiliated with or advised by Blackstone. |
| Business Day | means a day that is not a Saturday, Sunday, bank holiday or public holiday in Sydney, Australia. |
| Close of Trading | means close of trading on ASX on the Effective Date. |
| Company Scheme | means the scheme of arrangement under Part 5.1 of the Corporations Act between VFML and the holders of shares in VFML under which each Scheme Participant's VFML Shares will be transferred to Bidco substantially in the form of Section 9 of this Scheme Booklet together with any amendment or modification made pursuant to section 411(6) of the Corporations Act. |
| Company Scheme Meeting | means the meeting of Securityholders convened by order of the Court in relation to the Company Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of that meeting. |
| Company Scheme Resolutions | means the resolutions of Securityholders set out in the Notice of Company Scheme Meeting. |
| Competing Bid | means any bona fide proposal or transaction (by any means including by way of takeover bid, scheme of arrangement (other than the Scheme), holder approved acquisition, capital reduction or securities issue or purchase, or business or asset purchase, joint venture, merger or demerger, dual listing or establishment of a new holding company) and that, if completed, would mean one or more persons collectively other than any of the Bidders or their Affiliates (as defined in the Scheme Implementation Deed) would, or would reasonably be expected to, acquire: (a) a Relevant Interest in Valad Securities of greater than 20% or obtain Control of Valad; or (b) a substantial part or material part of the business or assets of the Valad Group. |
| Control | has the meaning given in section 50AA of the Corporations Act. |
| Controlled Entities | means, in relation to an entity, another entity which is a Subsidiary of it, or which is Controlled by it. |
| Corporations Act | means the Corporations Act 2001 (Cwlth). |
| Corporations Regulations | means the Corporations Regulations 2001 (Cwlth). |
| Court | means a court of competent jurisdiction under the Corporations Act. |
| | |



| Deed Poll | means the deed poll dated 28 April 2011 executed by the Bidders as amended by a Variation Deed Poll dated 24 May 2011 whereby, among other things, the Bidders covenant to carry out their obligations under the Scheme, each as set out in Section 11 of this Scheme Booklet. |
|-------------------------------------|---|
| Effective | when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) and 411(6) in relation to the Company Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC, and the Supplemental Deed taking effect pursuant to section 601GC(2) of the Corporations Act. |
| Effective Date | means the date on which the Scheme becomes Effective. |
| End Date | means 23 September 2011 or such later date as Valad and the Bidders may agree. |
| FIRB | means the Foreign Investment Review Board of Australia. |
| First Court Hearing | means the hearing of the application made to the Court for orders pursuant to section 411(1) of the Corporations Act and section 63 of the Trustee Act 1925 (NSW) to convene the Company Scheme Meeting and approving this Scheme Booklet. |
| First Judicial Advice | means confirmation from the Court under section 63 of the Trustee Act 1925 (NSW) that VCML would be justified in convening the Trust Scheme Meeting and proceeding on the basis that amending the Trust's constitution as set out in the Supplemental Deed would be within the powers of alteration conferred by the Trust's constitution and section 601GC of the Corporations Act. |
| Governmental Agency | means any governmental, semi-governmental, quasigovernmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity, either domestic or foreign. |
| Implementation Date | means the date on which the Scheme is to be implemented, currently expected to be 22 July 2011. |
| Independent Expert | means KPMG. |
| Independent Expert's Report | means the report of the Independent Expert as set out in section 6 of this Scheme Booklet. |
| Judicial Advice | means the First Judicial Advice and the Second Judicial Advice. |
| KPMG | means KPMG Corporate Finance (Aust) Pty Ltd ABN 43 007 363 215. |
| NAV | means net asset value. |
| Notice of Company Scheme Meeting | means the notice of Company Scheme Meeting in section 12 of this Scheme Booklet. |
| Notices of Scheme Meetings | means the Notice of Company Scheme Meeting and the Notice of Trust Scheme Meeting. |
| Notice of Trust Scheme Meeting | means the notice of Trust Scheme Meeting in section 12 of this Scheme Booklet. |
| NTA | means net tangible assets. |
| Panel Guidance Note 15 | means the document titled "Guidance Note 15: Trusts Scheme Mergers" issued by the Australian Takeovers Panel. |
| Proposal | means the proposal by the Bidders to acquire all of the Valad Securities for A\$1.80 per Valad Security pursuant to the Company Scheme and the Trust Scheme, as announced to ASX by Valad on 29 April 2011. |
| Record Date | means 5 pm Sydney time on the fifth Business Day following the date on which the Court order from the Second Court Hearing is lodged with ASIC, or such other date as Valad and the Bidders may agree. |
| Register | means the register of Securityholders maintained by the Valad Registrar in accordance with the Corporations Act. |
| 05/ | |

| Regulatory Authority | includes ASX or any other stock exchange on which the securities of any party are listed; ACCC; ASIC; a government or governmental, semi-governmental or judicial entity or authority; a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; any regulatory organisation established under statute; FIRB; the Australian Taxation Office; the Commission of the European Union (or such authority referred by such Commission); the Financial Services Authority of the United Kingdom; the Guernsey Financial Services Commission; and any other relevant regulatory authorities. | | |
|-------------------------------|---|--|--|
| Related Body | has the meaning given to it in the Corporations Act, except that the term "subsidiary" used in the | | |
| Corporate | Corporations Act has the meaning given to that term in this Scheme Booklet. | | |
| Relevant Interest | has as the same meaning as given by sections 608 and 609 of the Corporations Act. | | |
| Requisite Majorities | → in respect of Resolution 1 in the Notice of Company Scheme Meeting, (a) a majority in number (at least 50%) of VFML shareholders, who are present and voting, either in person or by duly appointed proxy, attorney or, in the case of a body corporate, corporate representative, voting in favour of such resolution and (b) at least 75% of the votes cast on such resolution by VFML shareholders, who are present and voting, either in person or by duly appointed proxy, attorney or, in the case of a body corporate, corporate representative, are cast in favour of such resolution; → in respect of Resolution 2 in the Notice of Company Scheme Meeting and Resolutions 1 and 3 in the Notice of Trust Scheme Meeting, at least 75% of the votes cast on such resolution by VFML shareholders or eligible VPT unit holders (as applicable), who are present and voting, either in person or by duly appointed proxy, attorney or, in the case of a body corporate, corporate representative, are cast in favour of such resolution; and → in respect Resolution 2 in the Notice of Trust Scheme Meeting, at least 50% of the votes cast on such resolution by eligible VPT unitholders who are present and voting, either in person or by duly appointed proxy, attorney or, in the case of a body corporate representative, are cast in favour of such resolution. | | |
| Scheme | means the Company Scheme and the Trust Scheme. | | |
| Scheme Consideration | means A\$1.80 in respect of each Scheme Security held on the Record Date, allocated as to A\$0.01 for each share in VFML and A\$1.79 for each unit in VPT. | | |
| Scheme Implementation Deed | means the Scheme Implementation Deed dated 28 April 2011 between Valad and the Bidders relating to the implementation of the Scheme, as set out in Section 8 of this Scheme booklet. | | |
| Scheme Meetings | means the Company Scheme Meeting and the Trust Scheme Meeting. | | |
| Scheme Participant | means each person who is registered in the Register as the holder of any Securities as at the Record Date. | | |
| Scheme Security | means a Security held by a Scheme Participant. | | |
| Second Court Date | means the date on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Company Scheme, or declines to approve the Company Scheme as the requisite voting approval was not received or otherwise, and the Court gives the Second Judicial Advice. | | |
| Second Court Hearing | means the hearing at which the application is to be made to the Court for an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Company Scheme, and the Second Judicial Advice is to be sought. | | |
| Second Judicial Advice | means confirmation from the Court under section 63 of the <i>Trustee Act 1925</i> (NSW) that VCML would be justified in acting upon the resolutions at the Trust Scheme Meeting in doing all things and taking all necessary steps to put the Trust Scheme into effect. | | |
| Security or Valad Security | means a stapled security in Valad, comprising a share in VFML and a unit in VPT. | | |



| Securityholder or Valad Securityholder | means each person who is registered in the Register at the relevant time as the holder of a Security. |
|---|--|
| Strategic Options | means the potential courses of action for Valad referred to in Section 1.1 of Part B of this Scheme Booklet. |
| Subsidiaries | in relation to an entity, has the meaning given to that term in the Corporations Act but so that: (a) an entity will also be deemed to be a subsidiary of an entity if that entity is required by the accounting standards to be consolidated with that entity; (b) a trust may be a subsidiary, for the purposes of which any units or other beneficial interests will be deemed shares; 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. |
| Superior Proposal | means a Competing Bid that was not solicited, invited or initiated by Valad or any of its Related Bodies Corporate or any of its Controlled Entities or any of their respective Representatives (as defined in the Scheme Implementation Deed), which the Valad Directors, in good faith and acting reasonably, after consultation with Valad's financial adviser and after receiving advice from reputable external counsel, determine is in their opinion: (a) reasonably capable of being completed in accordance with its terms taking into account all aspects of the Competing Bid; and (b) more favourable to Securityholders, taken as a whole, than the Scheme, taking into account all terms and conditions of the Competing Bid, such that the Valad Directors would not in their opinion satisfy their fiduciary and/or statutory duties were they to continue to recommend the Scheme instead of the Competing Bid. |
| Supplemental Deed | means a supplemental deed in the form set out in Section 10 of this Scheme Booklet. |
| Tax Report | means the report prepared by PricewaterhouseCoopers on the Australian taxation implications of the Scheme contained in Section 7 of this Scheme Booklet. |
| Trust Scheme | means the arrangements, in accordance with Panel Guidance Note 15, under which Bidtrust acquires all of the units in VPT from the Securityholders facilitated by amendments to the VPT constitution as set out in the Supplemental Deed, subject to the requisite VPT members' approval. |
| Trust Scheme Meeting | means the meeting of Securityholders convened pursuant to the VPT constitution to consider the Trust Scheme Resolutions, and includes any adjournment of that meeting. |
| Trust Scheme Resolutions | means the resolutions of Securityholders set out in the Notice of Trust Scheme Meeting in Section 12 of this Scheme Booklet. |
| Valad | means Valad Property Group, which comprises VFML and VPT. |
| Valad Board or Board | means the board of directors of VFML and VCML. |
| Valad Directors | means the directors of VFML and VCML. |
| Valad Group | means Valad and its Controlled Entities. |
| Valad Options | means a right against VFML to have a Valad Security delivered to the holder of the Valad Option subject to the satisfaction of vesting and exercise conditions, if any. |
| Valad Register | includes the register of Securities or, while the Securities are not stapled, the registers of VFML shares and VPT units separately, kept by the Valad Registrar. |
| Valad Registrar | means Link Market Services Limited (ABN 54 083 214 537). |
| VCML | means Valad Commercial Management Limited (ABN 76 101 802 046), the responsible entity of VPT. |
| VFML | means Valad Funds Management Limited (ABN 89 102 249 294). |
| VPT | means Valad Property Trust (ARSN 102 618 824). |
| | |

→ CORPORATE DIRECTORY

Valad Securityholder Information Line

Australia 1800 857 305 International +61 2 8256 3371 Open 9 am to 5 pm (AEST) Monday to Friday until the date of the Scheme Meetings

Valad Commercial Management Limited

ABN 76 101 802 046 ACN 101 802 046 (AFS Licence Number 223339, responsible entity of Valad Property Trust)

Valad Property Trust

ABN 91 308 938 488 ARSN 102 618 824

Valad Funds Management Limited

ABN 89 102 249 294 ACN 102 249 294

Registered Office

Level 9, One Chifley Square Sydney NSW 2000 Telephone: 1800 825 231 Email: info@valad.com.au

www.valad.com.au

Valad Registrar

Link Market Services Limited Level 12, 580 George Street Sydney NSW 2000 Locked Bag A14 Sydney South NSW 1235 Telephone: 1300 650 320 (local call cost, within Australia)

Telephone: +61 2 8280 7104 (outside Australia)

General Facsimile: +61 2 9287 0303

Email: registrars@linkmarketservices.com.au Website: www.linkmarketservices.com.au

Independent Expert

KPMG Corporate Finance (Aust) Pty Ltd AFS licence number 246901 10 Shelley Street Sydney NSW 2000

Tax adviser

PricewaterhouseCoopers 201 Sussex Street Sydney NSW 2000

Legal advisers

Mallesons Stephen Jaques Level 61, Governor Phillip Tower 1 Farrer Place Sydney NSW 2000

Financial advisers

Fort Street Advisers Level 15 1 Alfred Street Sydney NSW 2000

