

# VPCG

## **VALAD PROPERTY GROUP**

*A non-renounceable 3 for 4 Entitlement Offer, Priority Offer and Public Offer of 621.2 million New Securities at the Application Price of \$1.92*

### **Issuers**

**Valad Funds Management Limited**  
(ACN 102 249 294) and  
**Valad Commercial Management Limited**  
(ACN 101 802 046), as the Responsible  
Entity for **Valad Property Trust**  
(ARSN 102 618 824)

**JPMorgan** 

*Financial Adviser, Lead Manager  
and Joint Bookrunner and Underwriter*



*Joint Bookrunners  
and Underwriters*

**citi**

*Co-manager*

# → NOTICE AND DISCLAIMER

If you have any questions relating to the Offer, you may call the Valad InfoLine on 1300 650 320 (callers within Australia) or +61 2 8280 7104 (callers outside Australia) or visit the Group's website at [www.valad.com.au](http://www.valad.com.au). You should consult your stockbroker, accountant or other professional adviser before making an investment decision.

## **Issuers**

Valad Commercial Management Limited (ACN 101 802 046) (AFSL 223339), as the Responsible Entity for Valad Property Trust (ARSN 102 618 824), ("Trust") and Valad Funds Management Limited (ACN 102 249 294) ("Company") which together form Valad Property Group ("Group"). The Responsible Entity and the Company ("Issuers") have prepared and issued this product disclosure statement and prospectus ("Offer Document") and are the entities making the Offer under this Offer Document.

## **The Offer**

The Offer is of New Securities which each comprise one Unit in the Trust and one Share in the Company, stapled together, so that they cannot be bought or sold separately. The Offer or invitation to subscribe for New Securities in the Group under the Retail Entitlement Offer is limited to Retail Securityholders in the Group whose addresses are in Australia or New Zealand. The Offer is subject to the terms and conditions described in this Offer Document. The Issuers reserve the right, subject to the Listing Rules, to withdraw the Offer or invitation to subscribe for New Securities and withdraw this Offer Document.

## **Offer Document**

This Offer Document comprises both a prospectus for the purposes of Chapter 6D of the Corporations Act 2001 (Cwlth) ("Corporations Act") and a product disclosure statement for the purposes of Part 7.9 of the Corporations Act. This Offer Document is dated 25 June 2007, and was lodged with the Australian Securities and Investments Commission ("ASIC") on that date. ASIC and ASX Limited ("ASX") take no responsibility for the contents of this Offer Document. No New Securities will be sold or issued on the basis of this Offer Document later than 13 months after the date of this Offer Document.

## **No representation other than in this Offer Document**

No person is authorised to provide any information or to make any representation in connection with the Offer or the Group, which is not contained in this Offer Document. Any information or representation not in this Offer Document may not be relied on as having been authorised by the Issuers in connection with the Offer.

## **Electronic Offer Document**

An electronic copy of the Offer Document is available online at [www.valad.com.au](http://www.valad.com.au). Paper copies of this Offer Document including the accompanying Application Form are available free of charge during the Offer Period by calling the Valad InfoLine on 300 650 320 (within Australia) and +61 2 8280 7104 (callers outside Australia).

The electronic version of this Offer Document is available only to Australian residents who access, download or print the electronic version of the Offer Document in Australia. Persons who access the electronic version of this Offer Document should ensure that they download and read the entire Offer Document.

You must not pass the blue Application Form on to another person unless it is attached to a hard copy of this Offer Document or the complete and unaltered electronic version of this Offer Document. The Entitlement Offer is non-renounceable and you cannot pass the white Application Form on to another person.

## **This is not investment advice – you should seek your own financial advice**

The information provided in this Offer Document is not financial product advice and has been prepared without taking into account your investment objectives, financial situation and particular needs. You should read the entire Offer Document and consider all of the risk factors that could affect the performance of the Group and the New Securities in light of your particular investment objectives, financial circumstances and investment needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker,

lawyer or other professional adviser before deciding whether to invest in the Group.

An investment in the Group is subject to investment risk and other risks, including the possible loss of income and principal invested. Neither of the Issuers or any of their controlled entities gives any guarantee or assurance as to the performance of the Group or the repayment of capital. Investments in the Group are not investments, deposits or other liabilities of the Responsible Entity, the Company or any other member of the Group.

Members of the Group may invest in, lend or provide other services to other entities in the Group and may be paid fees, including expenses in relation to the Offer and fees in relation to the management of the Group. Investors should note the disclosure of the Group's interests in Section 11.

Some of the risk factors that should be considered by prospective investors are set out in Section 7. If you have any questions or are uncertain as to whether the New Securities are a suitable investment for you, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in the Group.

## **No cooling-off rights**

Cooling-off rights do not apply to an investment pursuant to the Offer.

## **Foreign jurisdictions**

No action has been taken to register or qualify the New Securities or otherwise to permit a public offering of New Securities in any jurisdiction outside of Australia except to Existing Securityholders in New Zealand.

This Offer Document does not constitute an offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Offer Document (including an electronic copy) in jurisdictions outside Australia may be restricted by law. Persons who are not in Australia or Existing Securityholders resident in New Zealand who come into possession of this Offer Document should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

In particular, the New Securities have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and accordingly may not be offered or sold in the United States or to, or for the account or benefit of, a US Person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. In addition, neither of the stapled entities have been or will be registered under the US Investment Company Act, in reliance on the exception from the definition of "investment company" provided by Section 3(c)(7) thereof. Accordingly, the New Securities may be offered and sold only (i) to purchasers in the United States or to, or for the account or benefit of, US Persons who are QIBs and also QPs in reliance upon Regulation D (or Rule 144A if applicable) under the US Securities Act and applicable state securities laws and Section 3(c)(7) under the US Investment Company Act and (ii) outside the United States, to persons other than US Persons in "offshore transactions" (as defined in Regulation S of the US Securities Act) in compliance with Regulation S under the US Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. Please refer to Section 2.7 for additional information on restrictions that apply to the offer and sale of New Securities in jurisdictions outside Australia.

This Offer Document has not been registered, filed with or approved by any New Zealand regulatory authority or under or in accordance with the Securities Act 1978 (New Zealand). Under the Offer, no securities may be offered or sold to the public within New Zealand or allotted with a view to being offered for sale in New Zealand, and no member of the public in New Zealand may accept the Offer, other than existing holders of Stapled Securities, to whom it is permissible for the Offer to be made to in reliance on an exemption from the New Zealand Securities Act 1978 (Securities Act (Overseas Companies) Exemption Notice 2002).

## **Definitions**

A number of words and terms used in this Offer Document have defined meanings that appear in the Glossary in Section 12.

## **Financial amounts**

All financial amounts contained in this Offer Document are expressed in Australian dollars unless otherwise stated.

## **Photographs and diagrams**

The assets depicted in photographs in this Offer Document are assets in which the Group will have an interest unless otherwise stated. Diagrams appearing in this Offer Document are illustrative only and may not be drawn to scale.

## **Future performance**

None of the Responsible Entity, the Company or any other person warrants the future performance of the Group or any return on any investment made pursuant to this Offer Document.

## **Rounding errors**

Due to the impact of rounding, the totals shown for charts, graphs or tables in this Offer Document may not equate to the sum of the individual components of the relevant chart, graph or table.

## **Times**

A reference to time in this Offer Document is a reference to Australian Eastern Standard Time ("AEST").

## **Privacy**

The Application Form accompanying this Offer Document requires you to provide information that may be personal information for the purposes of the Privacy Act 1988 (Cwlth) (as amended). The Issuers (and the Registry on their behalf) may collect, hold and use that personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and to administer the Group. The information may also be used from time to time to send you marketing material relating to other Valad products and services, which the Company and the Responsible Entity consider may be of interest to you.

Access to information may also be provided to the Group's companies, related entities, agents and service providers for the purposes set out above on the basis that they deal with such information in accordance with the Group's privacy policy.

The Responsible Entity may disclose your personal information to fulfil legal obligations. The Responsible Entity may also disclose your personal information to a regulatory agency in compliance or purported compliance with regulatory obligations.

If you do not provide the information requested of you in the Application Form, the Registry may not be able to process your Application for New Securities or administer your holding of Stapled Securities appropriately.

Under the Privacy Act 1988 (Cwlth) (as amended), you may gain access to your personal information held by (or on behalf of) the Group subject to certain exemptions under law. You can gain access to your personal information by telephoning or writing to the Valad Privacy Officer as follows:

Valad Privacy Officer  
Level 9, Chifley Square, Sydney NSW 2000,  
telephone 1800 825 231 (toll free).

The Responsible Entity and the Company have adopted the Group's Privacy Policy. You can obtain a copy of that policy by visiting the website at [www.valad.com.au](http://www.valad.com.au).

## **Updating this Offer Document**

Information contained in this Offer Document is subject to change from time to time and may be updated by the Issuers.

Any updated information (which is not materially adverse to Securityholders) will be available on the website at [www.valad.com.au](http://www.valad.com.au). A paper copy of the updated information is available without charge by contacting the Responsible Entity or the Valad InfoLine on 1300 650 320 (callers within Australia) or +61 2 8280 7104 (callers outside Australia).

Where updated information is materially adverse to Securityholders, the Issuers will issue a supplementary or replacement Offer Document.

# → CHAIRMAN'S LETTER

VALAD

25 June 2007

Dear Investor,

On behalf of Valad Property Group ("Valad" or the "Group"), it gives me great pleasure to invite you to participate in this 3 for 4 non-renounceable Entitlement Offer of new Stapled Securities ("New Securities") at the Application Price of A\$1.92 (the "Offer"). Under this Offer, Valad will raise approximately A\$1.2 billion. The proceeds will form part of Valad's financing of the acquisition of a number of related business interests (collectively known as "Scarborough"), in the United Kingdom ("UK") and Europe.

The acquisition of Scarborough (the "Acquisition") represents the "Next Step" in Valad's stated strategy to establish European and Australasian platforms for its operations and product offerings. The Acquisition provides Valad with the opportunity to leverage its business model into the UK and European property markets through established businesses which employ over 250 property professionals in 16 offices across 11 countries.

Scarborough is based in the UK and has substantial property operations throughout Europe, controlling over A\$10.2 billion (£4.3 billion) in assets under management ("AUM"). Scarborough has a significant property portfolio, a majority interest in a European funds management platform and an asset management and property services business. Scarborough's business activities are complementary to Valad's existing platform, albeit focused in different geographic locations, with a shared 'value-add' focus.

The Acquisition is an important progression for Valad, providing a number of immediate financial benefits along with strategic benefits which we believe will position the Group for future long-term earnings growth.

Financial benefits include:

- FY2008 distribution per Stapled Security increases to 12.5 cents
  - reflects an increase of 12.9% from announced FY2007 distribution
  - the Acquisition results in 5.0% accretion over Valad's previous FY2008 distribution guidance
- An increase in the Group's AUM from A\$6.6 billion to A\$16.8 billion
- An increase in the market capitalisation of Valad to approximately A\$2.8 billion (based on the application price of A\$1.92), potentially enhancing liquidity for Securityholders and positioning Valad for inclusion in the S&P/ASX 100 (largest 100 listed companies by free float market capitalisation)

Strategic benefits include:

- The ability to leverage a fully integrated UK and European property platform, with an experienced management team
- Enhancement of Valad's funds management platform through increased property warehousing capabilities and exposure to an existing funds management distribution network
- An opportunity to expand Valad's existing activities into new geographic locations including growing the Valad Capital Services' business model in the UK and Europe

The Acquisition represents a significant opportunity for Valad, with the combined businesses having many complementary features. These features should assist in the integration of the two organisations, which will be led by my fellow Executive Director, Peter Hurley, who will be relocating to London following the completion of the Acquisition.

This Offer Document contains detailed information about the Acquisition and the Offer of New Securities. Before making your investment decision, I encourage you to read it carefully, including the risks of investing in New Securities which are detailed in Section 7, and contact your professional advisor.

Details of the Financial Forecasts in relation to the Offer are set out in Section 9. Prospective investors should note that the Financial Forecasts are subject to important assumptions (refer to Section 9.6).

It is important to note that the Offer closes on 17 July 2007. To participate in the Offer you must have applied for New Securities by this date.

I believe that this Acquisition demonstrates the positive momentum of Valad and highlights our ability to source acquisitions that enhance Securityholder value. I confirm that my fellow Executive Director, Peter Hurley, and I, in aggregate, will be subscribing for approximately A\$9 million worth of New Securities.

On behalf of the Valad Board I am delighted to present this Offer for your consideration.

Yours faithfully,

**Stephen Day** Executive Chairman

Valad Property Group

# → SUMMARY OF THE OFFER AND KEY DATES

Valad Property Group has entered into an agreement to acquire Scarborough, a UK based property group with interests in funds management, asset management, property services and development, and passive property ownership in the UK and Europe.

In order to fund the Acquisition and restructure Debt to target gearing levels, Valad will raise approximately A\$1.2 billion through the issue of New Securities under a 3 for 4 non-renounceable Entitlement Offer. The Offer is being made to all Eligible Securityholders and Public Investors being members of the public who reside in Australia. All Eligible Securityholders have the right to acquire New Securities at the Application Price of A\$1.92 and to apply for additional New Securities at the same Application Price.

New Securities are being offered at a discount of 7.7% to the adjusted recent trading price of Valad's Stapled Securities<sup>1</sup>, and are forecast to provide a FY2008 distribution yield of 6.5%.

A summary of the Offer is detailed below.

## Summary of the Offer

This Offer Document relates to the offer of New Securities. Each New Security comprises one new Unit in the Trust ("VPT") and one new Share in the Company ("VFML"), which are stapled together and cannot be traded separately. The New Securities will be quoted on the Australian Securities Exchange ("ASX").

The Offer comprises three components:

→ **Entitlement Offer:** A non-renounceable offer of 3 New Securities for every 4 Existing Securities held on the Record Date. Only Eligible Retail and Institutional Securityholders may participate in the Entitlement Offer, but any shortfall in New Securities will be available under the remaining components of the Offer

→ **Priority Offer:** Any shortfall in New Securities under the Entitlement Offer that are not issued to Institutional Securityholders or to other Institutional Investors will be available to Eligible Retail Securityholders on the Record Date who apply for New Securities in excess of their Entitlement

→ **Public Offer:** New Securities which are not taken up under the Entitlement Offer, Priority Offer or by Institutional Investors will be made available to Public Investors

## Investment by Vendors and Selected Senior Management

As part of the Acquisition, the Vendors have agreed to receive part of the sale consideration by way of New Securities.

The Vendors have agreed to subscribe for A\$140 million (£59 million) of loan notes which Valad or the Vendors can exchange for New Securities. As a result the Vendors will be effectively re-investing part of the proceeds of their consideration into Valad. In addition, Selected Senior Management are expected to subscribe for approximately A\$10 million (£4.2 million) of New Securities at the Application Price.

The Vendors and Selected Senior Management have agreed under the above arrangements to subscribe for shortfall in Securities issued under the Entitlement Offer, Priority Offer and Public Offer. In the event that the shortfall of New Securities issued under the Entitlement Offer, Priority Offer and Public Offer is less than the required number of Securities to be issued to the Vendors and Selected Senior Management, Valad will undertake a Placement of New Securities pursuant to this Offer Document. This may mean that the total equity raising may be up to A\$1.34 billion, with any additional funds being used to repay debt.

## Overview of the Offer

The table below summarises the Offer as outlined in this Offer Document.

Application Price	Fixed price of A\$1.92 per New Security
Eligible Securityholder Entitlement	3 New Securities for each Existing 4 Securities held on the Record Date
New Securities to be issued	621.2 million <sup>2</sup>
Distribution entitlement attaching to New Securities	New Securities will rank pari passu from allotment (i.e. will be entitled to distributions from 1 July 2007)
Total Entitlement Offer, Priority Offer and Public Offer proceeds before expenses	A\$1.2 billion

<sup>1</sup> Based on the adjusted volume weighted average price of Valad Securities traded in the five Business Days up to and including 22 June 2007, being A\$2.08 ex-distribution. The market value of the New Securities may be less than the Application Price on the date the New Securities are allotted and/or may trade lower after Allotment.

<sup>2</sup> Excludes any Placement Securities.

## Summary of key dates

There are a number of key dates in relation to the Offer which investors must consider in relation to New Securities, which are detailed in the table below\*.

Offer to Eligible Institutional Securityholders opens	25 June 2007
Offer to Eligible Institutional Securityholders closes	26 June 2007
Record Date for determining Entitlements to New Securities	29 June 2007
Offer opens to Eligible Retail Securityholders and Public Investors	2 July 2007
Last date for receipt of Application Forms for the Initial Allocation ("Initial Allocation Date")	5 July 2007
Institutional and Initial Allocation settlement	9 July 2007
Allotment under Initial Allocation and deferred settlement trading commences	10 July 2007
Normal (T+3) trading of New Securities under the Initial Allocation	12 July 2007
Latest day for receipt of Application Forms for the Final Allocation ("Final Allocation Date" and "Closing Date")	17 July 2007
Final Allocation settlement	26 July 2007
Allotment under Final Allocation and deferred settlement trading commences	27 July 2007
Normal (T+3) trading of New Securities on ASX under the Final Allocation	31 July 2007
Completion of Acquisition	10 July 2007

\* All times and dates refer to Australian Eastern Standard Time ("AEST")

These dates are indicative and may be subject to change. The Issuers in conjunction with the joint Bookrunners and Underwriters reserve the right to amend this indicative timetable including, subject to the Corporations Act and Listing Rules, to extend the latest date for receipt of Applications or to cancel the Entitlement Offer, Priority Offer and Public Offer without prior notice. Any extension of the Closing Date will be notified to ASX and published on the Valad website.

Application Forms must be received by the Registry at the latest by 5.00pm (AEST) by:

- (a) The Initial Allocation Date (for Eligible Institutional Securityholders and Eligible Retail Securityholders who wish to have New Securities allotted under the Initial Allocation); or
- (b) The Closing Date.

## Payment

Payment of Application Monies can be made in two ways:

- 1 By a cheque or bank draft in Australian currency for the amount of the Application Monies, made payable to "VCML – Applications Trust Account" and crossed "Not Negotiable". If you elect to make payment via cheque or bank draft you must attach it to a completed Application Form. A personalised white loose leaf Application Form is enclosed with copies of this Offer Document sent to Eligible Retail Securityholders. A blue Application Form is attached with copies of this Offer Document for Applicants under the Public Offer; or
- 2 Using BPAY® in accordance with the instructions on the Application Form. If you elect to make payment via BPAY® you are not required to submit an Application Form.

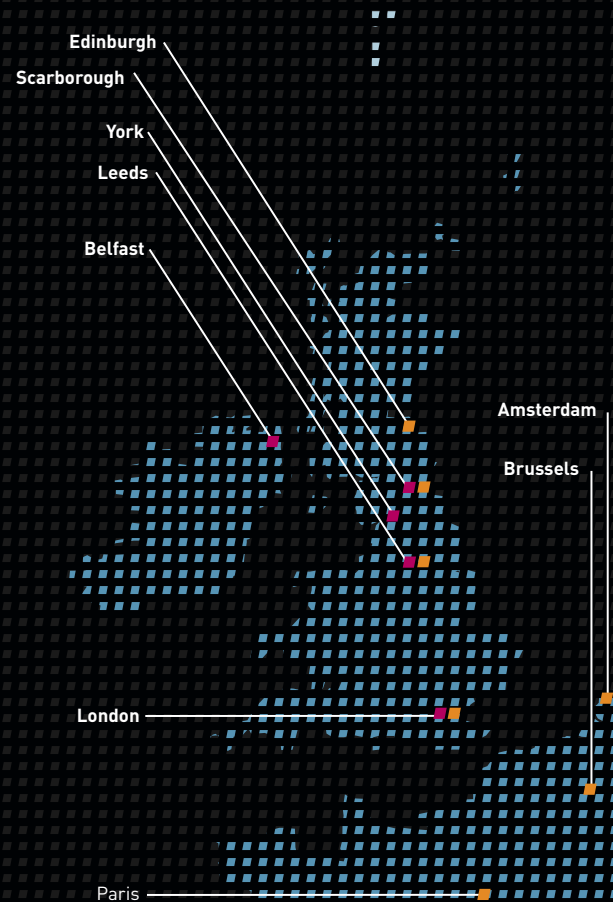
Questions relating to any aspect of your individual holding in Valad should be directed to the Registry on 1300 650 320 (callers within Australia) or +61 2 8280 7104 (callers outside Australia).

# → Fully integrated UK and European property platform

→ Scarborough is a UK property group with substantial operations throughout Europe, with over A\$10.2 billion of AUM.

→ Scarborough has a significant property portfolio, interest in a European funds management platform and an asset management and property services business.

Scarborough		
Property Portfolio	Funds Management	Property Services
Investment portfolio and warehousing capability	Pan-European property fund manager with AUM of A\$8.8 billion	Asset management, joint venture financing and property development



**Established  
management  
platform →**

Senior management across UK and Europe provide significant expertise, including specialist asset management, in-house development capacity and a proven acquisition track record.



Stockholm

Gothenborg

Malmo

Copenhagen

Berlin

Warsaw

Budapest

■ Teesland Office

■ Scarborough Office

# → *Complementary business activities, with a common “value-add” focus*

→ *Scarborough provides Valad with in-house management and development capabilities to enhance property returns and source properties for future funds management opportunities.*

→ *Immediate access to a significant real estate portfolio provides further geographic and asset diversity to Valad’s passive income streams.*

→ *Opportunity to grow the VCS business model in the UK and Europe.*

**Enhances  
Valad's funds  
management  
platform →**

*Increased property  
warehousing capabilities  
and exposure to existing  
funds management  
distribution network.*



# → HOW TO APPLY

- 
- 1 Read**
- Read this Offer Document in full**, paying particular attention to:
- Important information on the inside front cover
  - Answers to key questions in Section 1
  - Risk factors in Section 7
- 
- 2 Consider and consult**
- Consider all risks and other information** in light of your particular investment objectives and circumstances.
- Consult with your stockbroker, accountant or other financial adviser** if you have any queries or are uncertain.
- 
- 3 Complete the white or blue Application Form or make payment by BPAY®**
- COMPLETE THE APPLICATION FORM ACCOMPANYING THIS OFFER DOCUMENT.
- Eligible Retail Securityholders:**
- If you are an Eligible Retail Securityholder and are participating in the Entitlement Offer** you should complete the personalised white loose leaf Application Form or pay your Application Monies via BPAY® pursuant to the instructions set out on the Application Form:
- If you wish to have New Securities allocated under the Initial Allocation, you must send or deliver your Application Form and payment to the Registry or pay your Application Monies by BPAY® by the Initial Allocation Date 5 July 2007
  - Alternatively, if you wish to participate under the Final Allocation, you must submit your Application Form and payment to the Registry or pay your Application Monies by BPAY® by the Closing Date 17 July 2007
- If you are an Eligible Retail Securityholder and you wish to apply for New Securities in addition to your Entitlement** you should complete the relevant section in the personalised white loose leaf Application Form or make payment for the additional New Securities via BPAY®.
- Public Offer:**
- Only members of the public who reside in Australia may apply for New Securities using the blue Application Form attached at the back of this Offer Document or by completing the on-line Application Form at [www.valad.com.au](http://www.valad.com.au). If you wish to participate in the Public Offer you must send or deliver your Application Form and payment to the Registry or complete the on-line Application Form and pay your Application Monies by BPAY® by the Final Allocation and Closing Date 17 July 2007.
- For further details on how to apply for New Securities, see Section 2 and the guide to completing Application Forms on the back of the applicable Application Form. To answer any further questions you may have in relation to how to apply for New Securities, please call the Valad InfoLine on 1300 650 320 (within Australia) and +61 2 8280 7104 (callers outside Australia).**
- 
- 4 Complete payment**
- For payment by cheque or bank draft completed Application Forms must be accompanied by a cheque or bank draft in Australian currency for the amount of the Application Money, payable to **"VCML – Applications Trust Account"** and crossed **"Not Negotiable"**
  - For payment by BPAY® please follow the instructions on the Application Form. An Application Form is not required to be lodged with the Registry
- 
- 5 Mail or deliver**
- Eligible Retail Securityholders and Public Investors who make payment via cheque or bank draft should mail or deliver your completed Application Form together with your Application Monies as follows:**
- |                                                                                                                       |                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mail to:</b><br>Link Market Services Limited<br>Valad Entitlement Offer<br>Locked Bag A14<br>Sydney South NSW 1235 | <b>Hand deliver to:</b><br>Link Market Services Limited<br>Valad Entitlement Offer<br>Level 12, 680 George Street<br>Sydney NSW 2000 |
|-----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
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- 8**

# → INVESTMENT HIGHLIGHTS

The Acquisition of Scarborough provides Valad with an integrated real estate platform across the UK and European property markets. Scarborough is comprised of the following key business segments:

- Interests in a diversified UK and European property portfolio
- A majority interest in a diversified UK and European real estate funds management business
- A diversified property services business

SCARBOROUGH								
Property Portfolio			Funds Management			Property Services		
<ul style="list-style-type: none"> <li>- Over 250 staff in 16 offices across 11 countries</li> <li>- Experienced senior management team</li> <li>- Ownership interests in 89 properties throughout UK and Europe</li> <li>- Development pipeline of 26 projects</li> </ul>			Manages <ul style="list-style-type: none"> <li>- 9 major property investment funds</li> <li>- 4 single investor funds</li> <li>- 2 joint ventures</li> <li>- 1 fund currently being marketed</li> </ul>					
UK Property Portfolio	Scarborough Continental Partners	ScEuro	Teesland plc			Asset Management	Joint Venture Financing	Development Business
Ownership 100%	Ownership 50%	Ownership 50%	Ownership 72.3%			Ownership 100%	Ownership 100%	Ownership 100%
<ul style="list-style-type: none"> <li>- Investment portfolio of 20 properties valued at A\$380 million (£160 million)</li> </ul>	<ul style="list-style-type: none"> <li>- 50:50 JV with HBOS</li> <li>- Current portfolio valued at A\$1.3 billion (£830 million)</li> <li>- Warehouse of assets for future funds focused on Europe</li> </ul>	<ul style="list-style-type: none"> <li>- 50:50 JV with HBOS</li> <li>- Warehouse of assets for future funds focused on value-add properties and repositioning opportunities</li> <li>- Focused on Central and Eastern Europe</li> </ul>	<ul style="list-style-type: none"> <li>- Pan-European property fund manager</li> <li>- Assets under management across all property sectors with a focus on the industrial and office sectors</li> <li>- Existing AUM of A\$8.8 billion (£3.7 billion)</li> </ul>			<ul style="list-style-type: none"> <li>- UK asset management and joint venture financing business</li> <li>- UK property development business</li> <li>- Interests in a current development pipeline of A\$1.1 billion (£459.5 million)</li> </ul>		

The Acquisition represents the "Next Step" in Valad's stated strategy to establish European and Australasian platforms for its operations and product offerings. The Acquisition provides Valad with the opportunity to leverage its business model into the UK and European property markets through established businesses which employ over 250 property professionals in 16 offices across 11 countries.

The Acquisition is intended to provide immediate and significant financial benefits to Valad. In addition, Valad anticipates that the Acquisition will deliver a number of strategic benefits as outlined below.

# → INVESTMENT HIGHLIGHTS

## Positive Financial Impact of the Acquisition on Valad

Valad has entered into an agreement to acquire Scarborough for a total enterprise value ("EV") of A\$2,054.6 million. The table below provides a breakdown of the total consideration paid for each component of Scarborough.

	EV A\$ MILLION	FY2008E EBITDA A\$ MILLION	EBITDA MULTIPLE/YIELD
Funds management and Property services <sup>1</sup>	864.9	76.3	11.3x
European property portfolio	663.4	43.8	6.6%
UK property portfolio	389.5	27.3	7.0%
Dorland House <sup>2</sup>	136.9	NA	NA
<b>Total EV</b>	<b>2,054.6</b>	<b>147.3</b>	<b>NA</b>

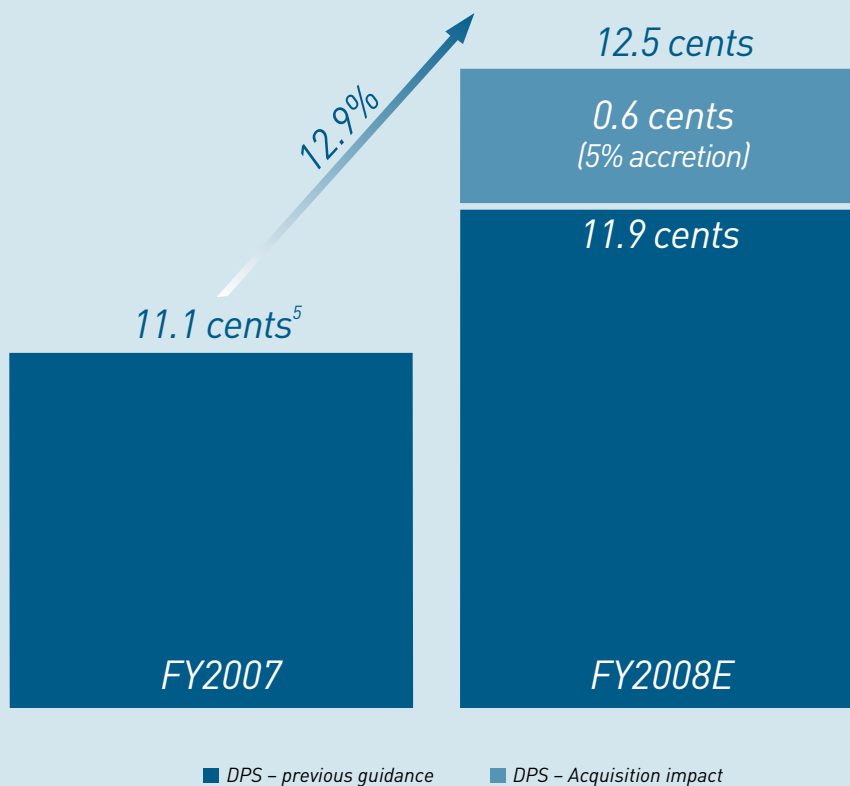
Notes:

1 EBITDA is based on cash earnings.

2 Valad has a put option exercisable at approximately 30 September 2007 to the Vendors, to require the Vendors to purchase Dorland House at £57.7 million (A\$136.9 million) (net of all selling costs).

Since Valad's initial listing on the ASX in December 2002 to 30 June 2007, the Group has delivered compound annual growth in distributions of 7.3%<sup>3</sup>. The Acquisition continues Valad's track record of delivering year on year growth in returns to investors. The Acquisition is forecast to increase distributions per Stapled Security to 12.5 cents in FY2008, which is an increase of 12.9% from Valad's announced FY2007 distribution per Stapled Security<sup>4</sup>.

## FY2008 Distributions per Security



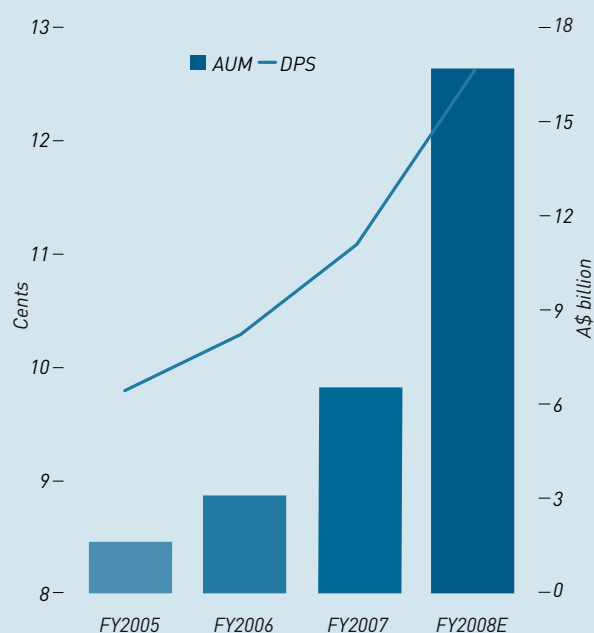
<sup>3</sup> Compound annual growth between 30 June 2003 and 30 June 2007. Past performance is not an indicator of future performance.

<sup>4</sup> Distributions may include a capital component so as to distribute underlying cash earnings.

<sup>5</sup> Announced FY2007 distribution of 11.07 cents.

Following the Acquisition, Valad's AUM will increase from A\$6.6 billion to A\$16.8 billion. Valad's growth in AUM is set out below and has reflected a compound annual growth rate of 94%<sup>6</sup> prior to the Acquisition. The Acquisition will materially increase the scale and nature of Valad's funds management businesses.

### AUM and DPS Growth

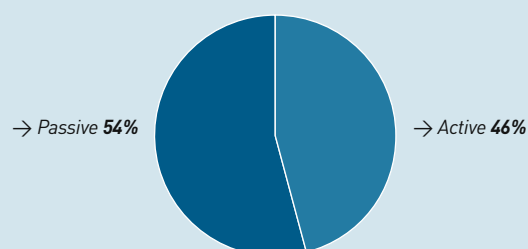


### Earnings Composition Post Acquisition

The strategic fit of Scarborough with Valad means that the earnings composition of Valad following the transaction will be substantially similar with over 50% of Valad's earnings being derived from passive property income streams. In addition, Valad's earnings quality will be retained. More than 80% of Valad's EBITDA is currently recurring in nature comprising net rental income, passive earnings from co-investments in funds, ongoing funds management fees and VCS coupon interest. Post Acquisition 82% of the combined entity's EBITDA will be recurring in nature.

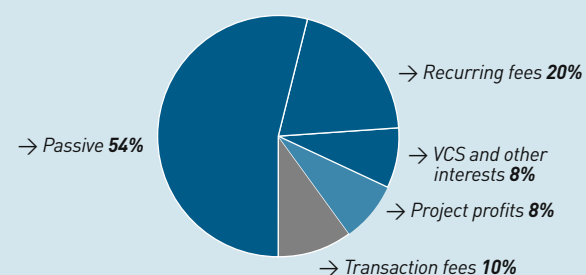
### FY2008E EBITDA Composition

- Type of Earnings - Passive/Active income



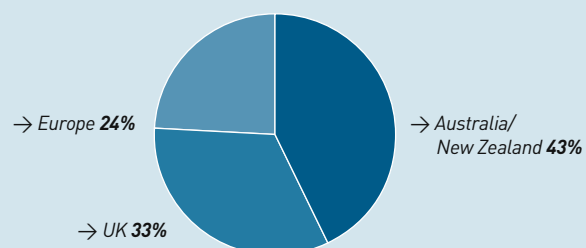
### FY2008E EBITDA Composition

- Type of Earnings - Recurring/Non-recurring



The Acquisition will diversify the geographic earnings profile of Valad, with 57% FY2008E EBITDA expected to be generated in the UK and Europe.

### FY2008E EBITDA Composition - by Geography



<sup>6</sup> Compound annual growth between 30 June 2003 to 30 June 2007.

# → INVESTMENT HIGHLIGHTS

## **Key Strategic Benefits**

### **Established Management Platform**

Scarborough has an experienced team of senior management professionals located throughout the UK and Europe. The senior executive team delivers Valad significant property, finance, structuring and funds management expertise in the UK and Europe, including specialist asset management, an in-house development capacity and a proven acquisition track record. With established offices in 11 countries, Scarborough is able to actively manage portfolios without significantly relying upon third party agents. This capability also applies to acquisition opportunities, with local management teams understanding local markets and sourcing properties "off-market" directly from vendors.

### **Enhances Valad's Funds Management Platform**

The Acquisition significantly enhances Valad's property funds management platform through the extensive distribution network accessed through the Teesland business and providing enhanced warehousing capabilities for future funds management initiatives.

Teesland managed funds have a variety of investment criteria, risk profiles and capital structures, with 13 current funds diversified across all property sectors with a focus on industrial and office sectors. This provides Valad with a diverse distribution base spanning institutional and retail investors in the UK and Europe. Teesland's senior management have established relationships with many institutional investors focused on UK and European real estate. Significant investors in Teesland funds include ABP, Clerical Medical Investment Group, GIC, Norwich Union, PGGM and Morley.

Valad anticipates that its track record and experience in the establishment and management of value-add and opportunity style property funds will enhance Teesland's ability to develop new types of property investment funds such as "Opportunity" funds. In addition, Valad believes that the Teesland platform and growth aspirations will be enhanced through access to Valad's balance sheet.

Following the Acquisition, Valad will consider becoming a significant co-investor in future Teesland managed funds, providing a close alignment of interest between the manager and investors.

Valad's funds management platform will benefit from significant warehousing capabilities facilitated through two joint ventures with Halifax Bank of Scotland ("HBOS"). These joint ventures currently allow for up to A\$2.3 billion (€1.5 billion) of real estate to be warehoused at any particular time.

### **Increased Sources of Capital and Access to Real Estate**

Teesland has an established brand name in asset and funds management with an established distribution network and a range of quality institutional investors. Valad believes that this will provide opportunities in the future to:

- Market Australasian funds to European investors and vice versa
- Establish funds with a combination of Australasian, UK and European real estate

It is anticipated that access to Valad's balance sheet will enable Scarborough to access additional opportunities.

### **Diversified Property Portfolio**

Scarborough's property portfolio is comprised of ownership interests in 89 properties across Europe and the UK. The portfolio provides further geographic and asset diversity to Valad's existing passive income streams and delivers a strong pipeline of seed assets for future fund management initiatives. In addition, there are "value-add" opportunities within the UK property portfolio which are anticipated to provide further earnings upside in the short to medium term.

### **Enhanced Asset Management and Development Capabilities**

Valad will be acquiring an interest in an established property asset management platforms in the UK, France, Germany, Denmark, Finland, Norway, Sweden and the Netherlands. In addition, offices have recently been established in Central Europe. The breadth of this platform will provide Valad with in-house management and development capabilities to enhance property returns and source properties for future funds management opportunities. This is intended to enable Valad to tailor its development pipeline to the requirements of its investors in its managed funds and derive returns through the implementation of active asset management strategies.

### **Opportunity to grow the Valad Capital Service ("VCS") business in the UK and Europe**

The Acquisition provides Valad with the opportunity to apply its VCS business model in the UK and Europe. VCS provides investment banking services and structured finance solutions to a range of third party property investor sponsors. Scarborough's property services team currently has relationships with a number of third party developers providing VCS with access to suitable partners to generate value accretive investments.

## **Key Risks**

**There a number of potential risks related to the Acquisition, risks related to the ongoing business of Valad post the Acquisition and a number of general risks as outlined in detail in Section 7 and summarised in Section 1.**

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→ 1 ANSWERS TO  
KEY QUESTIONS

This is a summary only. For more information refer to the Sections listed on the right.

TOPIC	SUMMARY	WHERE TO FIND MORE INFORMATION: SECTION(S)
<b>Who are the Issuers of this Offer Document?</b>	Valad Funds Management Limited (VFML) and Valad Commercial Management Limited (VCML), as the Responsible Entity of Valad Property Trust (VPT)	5
<b>Is the Offer Underwritten?</b>	The Entitlement Offer is fully underwritten by JPMorgan Australia Limited, Macquarie Equity Capital Markets Limited and UBS AG, Australia Branch	
<b>Purpose of the Offer</b>	To fund the Acquisition of Scarborough and restructure Debt	2,9
<b>What is the Offer?</b>	<ul style="list-style-type: none"> <li>→ A non-renounceable Entitlement Offer of 3 New Securities for every 4 Existing Securities held on the Record Date to raise approximately A\$1.2 billion. New Securities not subscribed for under the Entitlement Offer will be made available under the Priority Offer and Public Offer</li> <li>→ New Securities each consist of one Unit in VPT and one Share in VFML. The New Securities will trade on ASX as the same class as Existing Securities</li> <li>→ The Application Price is the fixed price of A\$1.92 per New Security, a 7.7% discount to the adjusted volume weighted average price of Existing Securities<sup>7</sup></li> </ul>	2
<b>What is meant by the term non-renounceable?</b>	A non-renounceable Entitlement means that the Entitlement itself cannot be transferred or sold. The New Securities issued under this Offer Document are transferable	2
<b>Who is eligible to participate in the Retail Entitlement Offer?</b>	<p>You are eligible to participate in the Retail Entitlement Offer if as of the Record Date you:</p> <ul style="list-style-type: none"> <li>→ Have a registered address in Australia or New Zealand;</li> <li>→ Are not a US Person or acting for the account or benefit of a US Person;</li> <li>→ Have not received an invitation to participate in the Institutional Entitlement Offer (either directly or indirectly as a nominee);</li> <li>→ Do not hold Existing Securities as a result of post ex date transactions which are disregarded; and</li> <li>→ Are not an Ineligible Securityholder.</li> </ul>	
<b>Can I apply for more than my Entitlement?</b>	<ul style="list-style-type: none"> <li>→ Yes, if you are an Eligible Securityholder you can apply for more than your Entitlement using your personalised white Application Form</li> <li>→ Any amount by which an Application from an Eligible Securityholder exceeds their Entitlement may be scaled back at the absolute discretion of the Issuers</li> </ul>	2
<b>Can I apply for less than my Entitlement?</b>	<p>Yes, existing Eligible Securityholders can apply for a portion of their Entitlement</p> <ul style="list-style-type: none"> <li>→ If you do not subscribe for your full Entitlement, the New Securities that represent your Entitlement may be issued to other Eligible Securityholders, Institutional Investors, Public Investors under the Public Offer, or the Vendors</li> <li>→ If you do not apply for your full Entitlement, your Securityholding in Valad will be proportionally less</li> </ul>	2
<b>What are the amounts payable by investors?</b>	<ul style="list-style-type: none"> <li>→ Investors will be required to pay A\$1.92 per New Security</li> <li>→ No brokerage is payable by Eligible Securityholders taking up their Entitlement or by investors applying for New Securities under the Priority Offer or the Public Offer</li> </ul>	2

<sup>7</sup> Based on the adjusted volume weighted average price of Valad Securities traded in the five Business days up to and including 22 June 2007, being A\$2.08 ex distribution. The market value of the New Securities may be less than the Application Price on the date the New Securities are allotted and/or may trade lower after Allotment.

# → 1 ANSWERS TO KEY QUESTIONS

TOPIC	SUMMARY	WHERE TO FIND MORE INFORMATION: SECTION(S)
<b>What are the key dates of the Retail Entitlement Offer?</b>	<ul style="list-style-type: none"> <li>→ The Retail Entitlement Offer for the Eligible Retail Securityholders opens on 2 July 2007</li> <li>→ If the Registry receives your Application and cleared Application Monies on or before the Initial Allocation Date of 5 July 2007 you will be allotted your New Securities on the Initial Allotment Date of 10 July 2007 and you are expected to be able to trade your New Securities from this date on a deferred settlement basis</li> <li>→ If the Registry receives your Application and cleared Application Monies after the Initial Allocation Date of 5 July 2007, but before the Final Allocation Date and Closing Date of 17 July 2007 you will be allotted your New Securities on the Final Allotment Date of 27 July 2007 and you are expected to be able to trade your New Securities from this date on a deferred settlement basis</li> </ul>	2
<b>What is the Priority Offer?</b>	<ul style="list-style-type: none"> <li>→ To the extent that Eligible Securityholders do not take up their Entitlement to New Securities under the Entitlement Offer, the remaining Securities being offered will, subject to allocation to Eligible Institutional Securityholders and other Institutional Investors, be available to Eligible Securityholders that apply for New Securities in excess of their Entitlement</li> <li>→ Eligible Retail Securityholders applying for New Securities in excess of their Entitlement will be given priority to an allocation of New Securities, over Applications received under the Public Offer</li> </ul>	2
<b>What is the Public Offer?</b>	An offer to Public Investors to apply for New Securities that have not been allotted to Eligible Securityholders and other Institutional Investors under the Entitlement Offer or under the Priority Offer	2
<b>Can Foreign Securityholders participate in the Offer?</b>	Foreign Securityholders may not participate in the Retail Entitlement Offer or the Public Offer. Foreign Securityholders and other persons may participate in the Institutional Entitlement Offer and the placement of New Securities representing Entitlements not taken up by Eligible Securityholders under the Entitlement Offer only if they are Eligible Securityholders or Institutional Investors	
<b>What is the Placement?</b>	The Vendors and Selected Senior Management have agreed to subscribe for A\$150 million [£63 million] of convertible loan notes which Valad or the Vendors can convert into New Securities in connection with the Acquisition at the Application Price. To the extent that the shortfall of New Securities issued under the Entitlement Offer, Priority Offer, the Public Offer and to Institutional Investors is less than the required number of Securities to be received by the Vendors and Selected Senior Management, Valad will undertake a Placement of New Securities at or around the Final Allocation Date	

**What are the significant potential benefits of the Offer?****Financial benefits**

- The Acquisition is forecast to provide an increase in the distribution per Stapled Security to 12.5 cents in FY2008, which is an increase of 12.9% from Valad's announced FY2007 distribution<sup>8</sup>
- An increase in AUM from A\$6.6 billion to A\$16.8 billion following the Acquisition
- An increase in the market capitalisation of Valad to approximately A\$2.8 billion (based on the Application Price), potentially enhancing liquidity for Securityholders and making Valad the 10th largest listed property group in Australia<sup>9</sup>

**Strategic benefits**

- Represents the "Next Step" in Valad's stated strategy to establish European and Australasian platforms for its operations and product offerings
- Enhances Valad's funds management platform through the extensive distribution network accessed through the Teesland business and enhanced warehousing capabilities
- Provides Valad with increased sources of third party capital and access to diversified portfolios of UK and European real estate
- Provides Valad with a fully integrated UK and European property business, and experienced management team
- Enhances Valad's asset management and development capabilities
- Provides Valad with an immediate opportunity to grow its VCS business model in the UK and Europe

Investment  
highlights**What are the significant risks?**

Details of a number of the potential risks of an investment in Valad are set out in Section 7

7

These include:

- In relation to the Acquisition, the following specific risks:
  - the Acquisition will substantially increase the size and range of Valad's business, including the introduction of operations in new geographic locations
  - it will be important to the continued success of the Teesland business and the performance of Valad that new funds are established. The ability to establish new funds will depend on the availability of suitable assets and the general market for collective investments in the UK and Europe
  - there may be issues affecting the value of the new property or business assets that Valad acquires which have not been revealed by the due diligence enquiries made in relation to the Acquisition and the Offer
  - the sourcing of approximately 57% of Valad's future income from countries outside Australia increases Securityholders' exposure to the risk of currency fluctuations to the extent that foreign exchange risk is not hedged
  - if the Underwriting Agreement is terminated after the Initial Allotment Date and before the Final Allotment Date, additional debt will be required to finance the Acquisition, increasing Valad's level of gearing

<sup>8</sup> Distributions may include a capital component so as to distribute underlying cash earnings.

<sup>9</sup> Based on market capitalisations of entities in the S&P ASX 200 Property Index on 22 June 2007. Excludes Multiplex Group and Investa Property Group which are under recommended takeover offers.

# → 1 ANSWERS TO KEY QUESTIONS

TOPIC	SUMMARY	WHERE TO FIND MORE INFORMATION: SECTION(S)
<b>What are the significant risks? continued</b>	<p>→ In relation to the ongoing business of Valad after the Acquisition, the following general risks:</p> <ul style="list-style-type: none"> <li>– Distributions to Securityholders are not guaranteed, and forecasts may not be met</li> <li>– Security prices on the ASX could fall as well as rise</li> <li>– Both the existing and new businesses of Valad include property development activities, which can carry a greater risk of loss than passive property ownership</li> <li>– Changes in the economies or property markets in which Valad operates may affect the performance of Valad</li> <li>– Adverse interest rate movements may affect earnings and the overall demand for and value of the Group's assets</li> </ul> <p>Other general risks are set out in Section 7</p>	7
<b>What are the other fees, costs and charges which are paid by Valad which may affect my return?</b>	<p>→ The Responsible Entity does not charge management fees to VPT, but is reimbursed for expenses estimated at 0.50% per annum of VPT's net asset value</p> <p>→ The fees and expenses associated with the Acquisition and the Offer are approximately A\$55 million. See Section 8 for more detail</p>	8
<b>What is Valad's borrowing policy?</b>	<p>→ The long term gearing ratio (net debt/total assets less cash) of Valad is intended to remain in a range of 35% to 50%. On a short term basis, the gearing ratio of Valad may vary from these levels to facilitate acquisitions or growth in the business from time to time</p> <p>→ Valad will, as considered appropriate, continue to enter into interest rate hedging arrangements in relation to its borrowings</p>	9
<b>What is Valad's currency hedging and foreign exchange policy?</b>	<p>→ Valad will generate revenues in different currencies, including Australian dollars, New Zealand dollars, euros and British pounds and other European currencies</p> <p>→ The Group intends to manage its foreign exposure to any foreign exchange on both its income statement and balance sheet, minimising its net exposures by borrowing funds denominated in the currency of the underlying asset and with reference to operations and cash flows in the same currency. Where remaining material net exposures exist, further reductions in the exposures may be effected through normal currency derivatives. At present there are no capital hedges in place</p>	9
<b>What are the significant tax implications?</b>	<p>→ Securityholders will be subject to Australian tax on distributions from the Trust</p> <p>→ A component of the Trust's distribution may be tax advantaged and such amounts are generally not assessable when received but reduce the cost base of the Securityholder's interest in the Trust</p> <p>→ Securityholders may be assessed on income greater or less than the distributions received</p> <p>→ Securityholders may benefit from foreign tax credits which may be used as a tax offset against taxation liability arising from foreign sourced income</p> <p>→ Further details regarding tax matters are provided in reports prepared for investors by PricewaterhouseCoopers as set out in Appendix A</p> <p>→ Before deciding to invest in New Securities, Eligible Securityholders and/or investors should consult their own taxation adviser for advice relating to their particular circumstances</p>	Appendix A

TOPIC	SUMMARY	WHERE TO FIND MORE INFORMATION: SECTION(S)
<b>Is there a cooling-off period?</b>	<ul style="list-style-type: none"> <li>→ No, there is no cooling-off right for investors in New Securities</li> <li>→ Once the New Securities are quoted for trading on ASX, you can offer your New Securities for sale</li> </ul>	2
<b>Do I have voting rights?</b>	<ul style="list-style-type: none"> <li>→ Yes, each Securityholder, at a meeting of Securityholders, on a poll has voting rights in proportion to the number of Securities they hold and otherwise has one vote on a show of hands</li> </ul>	2
<b>What are the material contracts?</b>	<ul style="list-style-type: none"> <li>→ Material contracts relating to the Acquisition and the Offer are summarised in Section 10</li> </ul>	10
<b>Can Valad employees participate in the Offer?</b>	<ul style="list-style-type: none"> <li>→ Valad employees who are Eligible Securityholders will be able to participate in the Entitlement Offer or otherwise in the Public Offer</li> </ul>	
<b>Does Valad take into account labour standards, or environmental, social or ethical considerations when selecting, retaining or realising investments?</b>	<ul style="list-style-type: none"> <li>→ In view of the nature of property investment, Valad does not take account of labour standards, or social or ethical considerations in selecting, retaining or realising investments for the Group</li> <li>→ Environmental issues will be taken into account in the selection of investments as part of normal property due diligence</li> </ul>	
<b>What is the dispute resolution procedure to deal with complaints?</b>	<ul style="list-style-type: none"> <li>→ The Responsible Entity provides a complaints handling and dispute resolution procedure for Securityholders and is a member of an external complaints resolution body, the Financial Industry Complaints Service Limited</li> </ul>	
<b>How can further information be obtained?</b>	<ul style="list-style-type: none"> <li>→ Contact your stockbroker, financial planner, accountant, lawyer or other professional adviser</li> <li>→ Ring the Valad InfoLine on 1300 650 320 (within Australia) and +61 2 8280 7104 (callers outside Australia)</li> <li>→ See Valad's website at <a href="http://www.valad.com.au">www.valad.com.au</a></li> </ul>	2
<b>Contact details</b>	<ul style="list-style-type: none"> <li>→ For further details, see the Corporate Directory at the back of this Offer Document</li> </ul>	
<b>Where do I get an Application Form from?</b>	<ul style="list-style-type: none"> <li>→ An Application Form accompanies this Offer Document. It will also be available electronically with the Offer Document from <a href="http://www.valad.com.au">www.valad.com.au</a></li> <li>→ Eligible Retail Securityholders will receive a personalised white Application Form setting out their Entitlements with the Offer Document</li> <li>→ Public Investors should use the blue Application Form accompanying this Offer Document. The Offer Document is also available electronically from <a href="http://www.valad.com.au">www.valad.com.au</a></li> </ul>	
<b>How do I accept my Entitlement/Where do I return my Application Form?</b>	<ul style="list-style-type: none"> <li>→ Eligible Retail Securityholders may apply for all or part of their Entitlement and apply for additional New Securities by submitting (together with the Application Monies) the white Application Form or making payment via BPAY®</li> <li>→ Applicants under the Public Offer should complete the blue Application Form and make payment to the Registry or complete the on-line Application Form and pay your Application Monies by BPAY®. The minimum investment for additional New Securities under the Public Offer is 2,000 and in multiples of 500 New Securities thereafter</li> <li>→ For payments by cheque or bank draft, Application Forms must be received by Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235, or Level 12, 680 George Street, Sydney NSW 2000 no later than 5.00pm (AEST) on 17 July 2007</li> <li>→ For payment by BPAY®, payment must be received no later than 5.00pm (AEST) on 17 July 2007</li> </ul>	2

→ 2 DETAILS OF THE OFFER



## 2.1 Details of the Issuers

This Offer Document has been issued by Valad Funds Management Limited (ACN 102 249 294) and Valad Commercial Management Limited (ACN 101 802 046), as the Responsible Entity for Valad Property Trust (ARSN 102 618 824) (the "Issuers").

## 2.2 The Offer

Eligible Securityholders are invited to participate in a 3 for 4 non-renounceable Entitlement Offer for New Securities in Valad. The Issuers propose to issue 621.2 million New Securities to raise approximately A\$1.2 billion.

The Entitlement Offer for New Securities is non-renounceable which means the Entitlement itself is not transferable and cannot be sold. The New Securities are transferable. In order for Securityholders to ensure they receive their Entitlement, Applications must be made on the white personalised Application Form accompanying this Offer Document.

The Offer is structured as follows:

- **Entitlement Offer:** A non-renounceable offer of 3 New Securities for every 4 Existing Securities held at the Record Date. Only Eligible Retail and Institutional Securityholders may participate in the Entitlement Offer, but any shortfall in New Securities will be available under the remaining components of the Offer
- **Priority Offer:** Any shortfall in New Securities under the Entitlement Offer that are not issued to Institutional Securityholders or to other Institutional Investors will be available to Eligible Retail Securityholders on the Record Date who apply for New Securities in excess of their Entitlement
- **Public Offer:** New Securities which are not taken up under the Entitlement Offer or Priority Offer or by Eligible Institutional Securityholders or other Institutional Investors will be made available to Public Investors by way of a Public Offer. Applications under the Public Offer must be for a minimum of 2,000 New Securities

All New Securities will be allotted pursuant to this Offer Document.

The Issuers reserve the right to withdraw the Entitlement, Priority and Public Offers without prior notice, subject to the Corporations Act and Listing Rules.

### Application Price

The Application Price is a fixed price of A\$1.92 per New Security.

The Application Price represents a discount of 7.7% to the adjusted volume weighted average price of Existing Securities traded ex-distribution in the five Business Days up to and including 22 June 2007.

### Institutional Entitlement Offer

Eligible Institutional Securityholders will be given the opportunity to take up their Entitlements only during the Institutional Entitlement Offer Period. The Underwriters will advise Eligible Institutional Securityholders (and other Institutional Investors) of the process for applying for New Securities under the Institutional Entitlement Offer.

### Investment by Vendors and Selected Senior Management

As part of the Acquisition, the Vendors have agreed to receive part of the sale consideration by way of New Securities. The Vendors have agreed to subscribe for A\$140 million (£59 million) of loan notes which Valad or the Vendors can exchange for New Securities. As a result the Vendors will be effectively re-investing part of the proceeds of their sale consideration into Valad. In addition, Selected Senior Management are expected to subscribe for approximately A\$10 million (£4.2 million) of New Securities at the Application Price.

The Vendors and Selected Senior Management have agreed under the above arrangements to subscribe for shortfall securities issued under the Entitlement Offer, Priority Offer and Public Offer. In the event that the shortfall of New Securities issued under the Entitlement Offer, Priority Offer and Public Offer is less than the required number of Securities to be issued to the Vendors and Selected Senior Management, Valad will undertake a Placement of New Securities pursuant to this Offer Document. This may mean that the total equity raising could be up to A\$1.34 billion with any additional funds being used to repay Debt.

### Call Option between Kevin McCabe and Valad

One of the Vendors, Kevin McCabe, has required the granting of a call option over a portion of the New Securities issued as sale consideration in conjunction with the Acquisition ("Option Securities"), predominantly to Stephen Day (Executive Chairman) and Peter Hurley (Executive Director).

The key terms of the Option Securities are as follows:

- Maximum number of securities: £20 million divided by the Application Price
- Term: 30 September 2009 to 30 June 2012
- Conversion Price: The Application Price increases by an amount of 3.5% on 1 August annually
- Optionholder: Valad Long Term Incentive Trust

The Board of Valad has delegated authority to Stephen Day and Peter Hurley to:

- Nominate those senior management and/or Directors to receive Option Securities, including themselves, subject to any approvals required under the Corporations Act
- Determine the timing and terms of exercising the call options in respect of Option Securities

# → 2 DETAILS OF THE OFFER

## **Retail Entitlement Offer**

The Retail Entitlement Offer is available to Eligible Retail Securityholders who have received (directly or through nominees) an offer under the Retail Entitlement Offer. The Retail Entitlement Offer is not available to any Eligible Securityholder who has received an offer under the Institutional Entitlement Offer (see above).

Under the Retail Entitlement Offer, Eligible Retail Securityholders will receive a personalised white Application Form that details the total number of New Securities that make up their Entitlement.

Eligible Retail Securityholders may apply for a number of New Securities up to or in excess of their Entitlement, on their personalised white Application Forms. Eligible Retail Securityholders are not obliged to apply for any New Securities.

If Eligible Retail Securityholders do not apply for some or all of their Entitlements, the shortfall will be available to other Eligible Securityholders, Institutional Investors, Vendors and Selected Senior Management, and Public Investors. Eligible Retail Securityholders should note that if they do not apply for their full entitlement their securityholding in Valad will be proportionately less.

## **Public Offer**

This Offer Document also relates to a general offer only to Public Investors of New Securities which are not subscribed for by Eligible Securityholders or Institutional Investors under the Entitlement Offer. Applications under the Public Offer can only be satisfied to the extent that there is a shortfall in subscription of the Entitlement Offer as no additional New Securities will be made available for public applications.

Public Investors may apply for New Securities by using the blue Application Form at the back of this document. However, they will not be entitled to a priority allocation.

The Public Offer is made only to residents of Australia.

The restrictions on issue and other relevant provisions of this Offer Document regarding the Entitlement Offer also apply to the Public Offer.

## **Underwriting of the Offer**

JPMorgan, Macquarie Equity Capital Markets and UBS AG (collectively the joint bookrunners and Underwriters), have agreed to underwrite the Offer by subscribing for any New Securities in respect of Entitlements not taken up under the Offer at a price of A\$1.92 per New Security. Material terms of the Underwriting Agreement (including the circumstances in which the Underwriters can terminate their obligations) are summarised in Section 10.

## **2.3 Key Dates**

### **Summary of key dates\***

There are a number of key dates in relation to the Offer which are detailed in the table below. These dates are indicative and may be subject to change.

Offer to Eligible Institutional Securityholders opens	25 June 2007
Offer to Eligible Institutional Securityholders closes	26 June 2007
Record Date for determining Entitlement to New Securities	29 June 2007
Offer opens to Eligible Retail Securityholders and members of the public	2 July 2007
Last date for receipt of Application Forms for the Initial Allocation (Initial Allocation Date)	5 July 2007
Institutional and Initial Allocation settlement	9 July 2007
Allotment under Initial Allocation and deferred settlement trading commences	10 July 2007
Normal (T+3) trading of New Securities under the Initial Allocation	12 July 2007
Latest day for receipt of Application Forms for the Final Allocation (Final Allocation Date and Closing Date)	17 July 2007
Final Allocation settlement	26 July 2007
Allotment under Final Allocation and deferred settlement trading commences	27 July 2007
Normal (T+3) trading of New Securities on ASX under the Final Allocation	31 July 2007
Completion of Acquisition	10 July 2007

\* All times and dates refer to Australian Eastern Standard Time (AEST).

## 2.4 Purpose of the Offer

The purpose of the Offer is to raise equity capital to fund, together with existing debt, the Acquisition. The proceeds from the Offer will be used to undertake:

- The acquisition of Scarborough
- Repayment of Debt
- Payment of costs in relation to the Acquisition

## 2.5 Sources and Applications of Funds

The sources and applications of funds to be raised by Valad pursuant to this Offer Document are set out below:

<i>SOURCES OF FUNDS</i>	<i>A\$MILLION</i>	<i>APPLICATIONS OF FUNDS</i>	<i>A\$MILLION</i>
Equity (under this Offer)	1,192.6	Acquisition of Scarborough	667.2
		Repayment of Debt	470.4
		Transaction costs	55.0
<b>Total Sources</b>	<b>1,192.6</b>	<b>Total Applications</b>	<b>1,192.6</b>

Notes:

- 1 Assumes Application Price of A\$1.92 and no Placement
- 2 Deferred consideration of A\$225.3 million (£95 million) is excluded from the above table. This will be funded by debt when required
- 3 The Acquisition of Scarborough includes the purchase price for the equity in the business and repayment of debt expiring at completion

If the Underwriting Agreement (described in Section 10) is terminated prior to the Initial Allotment Date, the Offer will be withdrawn and no New Securities will be issued. If the Underwriting Agreement is terminated after the Initial Allotment Date but prior to the Final Allotment Date, the Acquisition will proceed and be partly funded using Valad's existing debt facilities.

## 2.6 Summary of Financial Forecasts

The following table sets out a summary of financial forecasts for Valad. The forecasts in the table should be read in conjunction with the detailed financial information and assumptions set out in Section 9.

### Summary of Financial Forecasts

	<i>FY2007</i>	<i>FY2008 FORECAST</i>	<i>% CHANGE</i>
Valad DPS <sup>1</sup>	11.1 cents	12.5 <sup>2</sup> cents	12.9%
Forecast DPS yield at Application Price	5.8%	6.5%	
	<i>PRE ACQUISITION</i>	<i>POST ACQUISITION</i>	
Gearing (net debt/total assets less cash) <sup>3</sup>	29.0%	19.5%	
NTA per Stapled Security	A\$1.24	A\$1.05	(15.9%)

Notes:

- 1 Distributions may include a capital component so as to distribute underlying cash earnings
- 2 This represents an increase of 0.6 cents above Valad's current estimated FY2008 distribution guidance
- 3 Based on the pro-forma statement of financial position of Valad as at the Final Allotment Date as set out in Section 9

The Issuers can give no assurance that the financial forecasts will be achieved or that Valad will be able to make distributions during or after the Forecast Period at the distribution levels forecast for the Forecast Period. This is because Valad's actual financial results and distributions will be affected by many factors that are beyond the Issuers' and their directors' control. A number of these factors are set out in Section 7.

Investors should also be aware that the market price of Stapled Securities and the level of distributions can fall as well as rise. Information regarding the risks of investing in Valad is set out in Section 7.

Further details of Valad's financial forecasts, including the assumptions made, are in Section 9.

PricewaterhouseCoopers Securities Ltd has reviewed the assumptions and Financial Forecasts. The PricewaterhouseCoopers Securities Ltd report is provided in Appendix B.

# → 2 DETAILS OF THE OFFER

## 2.7 How to Participate

### Entitlement Overview

Eligible Securityholders as at 5.00pm (AEST) on the Record Date will be offered New Securities in the ratio of 3 New Securities for every 4 Existing Securities held at the Application Price.

The Underwriters will advise Eligible Institutional Securityholders and other Institutional Investors of the process of applying for New Securities under the Institutional Entitlement Offer.

Holders of Existing Securities who are not Eligible Institutional Securityholders only receive an Entitlement if they are Eligible Retail Securityholders.

The Entitlement is shown on the accompanying personalised white Application Form. In calculating Entitlements, fractional Entitlements are rounded to the nearest whole New Security.

### Applying for more than your Entitlement

If you have an Entitlement, you are also permitted to apply for additional New Securities using the personalised white Application Form. Eligible Securityholders may apply for more than their Entitlement. Any amount by which an Application from an Eligible Securityholder exceeds its Entitlement may be scaled back, at the absolute discretion of the Issuers.

### Acceptance and Payment

#### Entitlement Offer

If you are an Eligible Retail Securityholder and you want to accept part of, all of, or more than your Entitlement, Application and payment for New Securities can be made in two ways:

#### 1 Cheque or Bank Draft

→ Complete the white Application Form accompanying this Offer Document in accordance with the instructions set out on the form and forward the completed Application Form with a cheque or bank draft (calculated by multiplying the number of New Securities you apply for by the Application Price) to the Registry. If you do not indicate the number of New Securities for which you wish to subscribe, or there is a discrepancy between the amount of the cheque and the number of New Securities indicated, the Issuers will treat you as applying for as many New Securities as your cheque or bank draft will pay for. Photocopies will not be accepted

#### 2 BPAY®

→ If you have an Australian Bank account you can make your payment for New Securities via BPAY® (being the Application Price multiplied by the number of New Securities you are taking up). Payment by BPAY® should be made in accordance with the instructions set out on the Application Form. The Biller Code and Reference Number appears on the Application Form. If you choose to pay by BPAY® you are not required to submit an Application Form

→ If you pay by BPAY® but do not pay for your full entitlement, your remaining entitlement will lapse and will be offered for sale in the Priority Offer. If you pay BPAY® and pay for more than your entitlement, the additional Application Monies will be allocated to the Priority Offer

#### Public Offer

Application for New Securities under the Public Offer can be made in two ways:

#### 1 Cheque or Bank Draft

→ Complete the blue Application Form accompanying this Offer Document in accordance with the instructions set out on the form and forward the completed Application Form with a cheque or bank draft (calculated by multiplying the number of New Securities you apply for by the Application Price) to the Registry. If you do not indicate the number of New Securities for which you wish to subscribe, or there is a discrepancy between the amount of the cheque and the number of New Securities indicated, the Issuers will treat you as applying for as many New Securities as your cheque or bank draft will pay for. Photocopies will not be accepted

#### 2 BPAY®

→ If you have an Australian Bank account you can make your payment for New Securities via BPAY® (being the Application Price multiplied by the number of New Securities you are taking up). To make payment through BPAY® you should log onto [www.valad.com.au](http://www.valad.com.au) and complete an online application form. Payment by BPAY® should be made in accordance with the instructions set out on the Application Form. Your application will be submitted electronically as part of the online application process

### **Timetable for Receipt of Payment**

#### **BPAY®**

Payments must be received by BPAY® before 5.00pm (Sydney time) on 17 July 2007. If the BPAY® payment is for any reason not received in full, VFML and VPT may treat you as applying for as many Securities as the cleared monies will pay for.

You must check the processing cut off time for BPAY® transactions with your bank, credit union or building society as it may be earlier than the scheduled close of the Offer. Applicants submitting their payment through BPAY® must do so in sufficient time to ensure funds are received by the Closing Date.

#### **Cheque or Bank Draft**

A completed Application Form must be accompanied by a cheque (calculated by multiplying the number of New Securities you apply for by the Application Price). The cheque should be made payable to "VCML – Applications Trust Account" and crossed "Not Negotiable". If you do not indicate the number of New Securities for which you wish to subscribe, or there is a discrepancy between the amount of the cheque and the number of New Securities indicated, the Issuers will treat you as applying for as many New Securities as your cheque or bank draft will pay for.

Application Forms must be completed in accordance with the instructions outlined on the Application Form.

Eligible Retail Securityholders and Public Investors should mail or deliver your completed Application Form together with your Application Monies to be received no later than 5.00pm (AEST) on 17 July 2007 as follows:

#### **Mail to:**

Link Market Services Limited  
Valad Entitlement Offer  
Locked Bag A14  
Sydney South NSW 1235

#### **Hand deliver to:**

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

### **Application Monies and Interest**

Monies received from an Applicant for an application will, until those New Securities are issued, be held by the Responsible Entity in a trust account.

If you are allotted less than the number of New Securities you applied for, you will receive a refund cheque for the relevant amount of Application Monies (without interest) not applied towards the issue of New Securities, as soon as practicable after the Closing Date.

The Issuers reserve the right to cancel the Offer at any time, in which case all Application Monies will be refunded without interest.

To the fullest extent permitted by law, each Applicant agrees that such Application Monies shall not bear or earn interest for the Applicant, irrespective of whether or not all or any of the New Securities applied for by the Applicant are issued to the Applicant.

### **Allocation Policy**

All Eligible Securityholders will be allocated New Securities applied for up to their Entitlement. Under the Retail Entitlement Offer, New Securities not taken up by Eligible Retail Securityholders will be allocated to:

- Eligible Institutional Securityholders wishing to subscribe for more than their Entitlement
- Other Eligible Retail Securityholders wishing to subscribe for more than their Entitlement
- Institutional Investors
- Public Investors under the Public Offer
- Vendors and Selected Senior Management

Under the Institutional Entitlement Offer, New Securities not taken up by Eligible Institutional Securityholders will be allocated to:

- Institutional Investors
- Other Eligible Institutional Securityholders wishing to subscribe for more than their Entitlement
- Vendors and Selected Senior Management

All New Securities not taken up by Eligible Securityholders will be allocated at the discretion of the Underwriters, in consultation with the Issuers.

Except for the right of Securityholders to be allocated New Securities in accordance with their Entitlements:

- There is no assurance that Applicants will be allocated the number of New Securities they apply for or any New Securities at all
- All Applications may be scaled back at the discretion of the Underwriters, in consultation with the Issuers

The Issuers and the Underwriters reserve the right to reject any Application or to allocate any Applicant a lesser number of New Securities than applied for (but no less than their Entitlement).

No Eligible Securityholder is assured of receiving any New Securities applied for in excess of their Entitlement and no Public Investor is assured of receiving any New Securities for which they have applied.

## → 2 DETAILS OF THE OFFER

### **Allotment**

Allotment of New Securities under the Retail Entitlement Offer is expected to occur on or around 10 July 2007 for Applications submitted under the Initial Allocation, or on or around 27 July 2007 for Applications submitted prior to the Final Allocation and Closing Date.

Eligible Institutional Securityholders must apply for their Entitlement during the Institutional Entitlement Offer Period. New Securities will be allotted to Eligible Institutional Securityholders pursuant to their Entitlement on the Initial Allotment Date 10 July 2007.

No certificates will be issued in respect of the New Securities. Following Allotment, Securityholders will receive a holding statement which sets out the number of New Securities allotted to them.

Applicants may call the Registry on 1300 650 320 (within Australia) or +61 2 8280 7104 (callers outside Australia) between 8.30am and 5.30pm (AEST) Monday to Friday to seek confirmation of their Allocation.

### **ASX Quotation**

Application for quotation of the New Securities on ASX will be made no later than seven days after the date of this Offer Document. Subject to approval being granted, trading of the New Securities which are allotted on the Initial Allotment Date are expected to commence trading on the Initial Allotment Date on a deferred settlement basis and trading in New Securities which are allotted on the Final Allotment Date will commence on the Final Allotment Date on a deferred settlement basis.

Before selling any New Securities during deferred settlement trading Securityholders should check with the Registry on 1300 650 320 (+61 2 8280 7104) that the New Securities have been issued to the Securityholder.

### **Income Entitlement of New Securities**

New Securities will be entitled to distributions for periods after 1 July 2007.

### **Restrictions on the Offer in Jurisdictions outside Australia**

This Offer Document does not constitute an offer or invitation to subscribe for New Securities in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue this Offer Document. It is the responsibility of any Applicant outside Australia to ensure compliance with the laws of any country relevant to their Application. No action has been taken to register or qualify the Offer of New Securities in any jurisdiction outside Australia.

The New Securities have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws. In addition, neither of the stapled entities have been or will be registered under the US Investment Company Act, in reliance on the exception from the definition of "investment company" (as defined in Section 2(a)(51) of the US Investment Company Act) provided by Section 3(c)(7) thereof. Accordingly, the New Securities may be offered and sold only (i) to purchasers in the United States or to, or for the account or benefit of, US Persons who are QIBs and also QPs in reliance upon Regulation D (or Rule 144A if applicable) under the US Securities Act and applicable state securities laws and Section 3(c)(7) under the US Investment Company Act and (ii) outside the United States, to persons other than US Persons in "offshore transactions" (as defined in Regulation S of the US Securities Act) in compliance with Regulation S under the US Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The distribution of this Offer Document in jurisdictions outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions.

Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

### **New Zealand**

Existing Securityholders with an address in New Zealand are permitted to take up their Entitlement and apply for additional New Securities under the Retail Entitlement Offer using the white personalised Application Form. However, this Offer Document has not been registered in New Zealand under or in accordance with the Securities Act 1978 (New Zealand). This means the Public Offer is not available to persons who are regarded as members of the public within the Securities Act 1978. Under the Offer, no Securities may be offered or sold to the public within New Zealand or allotted with a view to being offered for sale in New Zealand, and no member of the public in New Zealand may accept the Offer, other than Eligible Securityholders, to whom it is permissible for the Offer to be made to in reliance on an exemption from the New Zealand Securities Act 1978 (Securities Act (Overseas Companies) Exemption Notice 2002).

### **Other Jurisdictions**

The Offer Document may not be distributed in the United States or to US Persons or elsewhere outside Australia or New Zealand unless it is attached to, or constitutes part of, the International Offering Circular that further describes selling restrictions applicable in the United States and other jurisdictions outside Australia and New Zealand, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction. Each person to whom the Offer is made under this Offer Document will be required to represent, warrant and agree as follows:

→ It understands that the New Securities have not been, and will not be, registered under the US Securities Act or in any jurisdiction outside Australia and that neither of the stapled entities have been or will be registered under the US Investment Company Act in reliance on the exception provided by Section 3(c)(7) thereof. Accordingly, the New Securities may only be offered and sold: (i) to purchasers in the United States or to, or for the account or benefit of, US Persons, in each case who are QIBs and also QPs in accordance with Regulation D (or Rule 144A if applicable) under the US Securities Act and applicable US state securities laws and Section 3(c)(7) under the US Investment Company Act and (ii) outside the United States to persons other than US Persons in "offshore transactions" (as defined in Regulation S) in compliance with Regulation S and the applicable laws of the jurisdiction where those offers and sales occur;

→ It is not in the United States or a US Person and is not acting for the account or benefit of a US Person or any other foreign person; and

→ Either (i) it is not engaged in the business of distributing securities or (ii) if it is, it agrees that it will not offer or resell in the United States or to, or for the account or benefit of, a US Person any New Securities it acquires under the Offer at any time other than in transactions through a United States selling agent of the Underwriters meeting the requirements of Rule 144A and Section 3(c)(7) of the US Investment Company Act; provided, however, that the foregoing shall not prohibit any sale of New Securities on ASX if neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or a US Person.

In addition, each person to whom the Offer is made under this Offer Document will be required to acknowledge that the New Securities are not permitted to be held at any time by, or for the account or benefit of, any US Person who is not both a QIB and a QP. Further, each person to whom the Offer is made under this Offer Document will be required to acknowledge that, to the maximum extent permitted by law, Valad reserves the right to: (i) request any person that it deems to be a US Person, who was not at the time of the acquisition of Securities a QIB and also a QP, to sell their Securities to a permitted person, (ii) refuse to register a transfer of Securities to any US Person who is not, at the time of acquisition, both a QIB and a QP and (iii) take such other actions as it deems necessary or appropriate to enable it to maintain the exception under Section 3(c)(7) of the US Investment Company Act.

### **No Representation other than in this Offer Document**

No person is authorised to provide any information or make any representations other than those contained in this Offer Document and, if given or made, such information or representations cannot be relied upon as having been authorised by the Issuers or the Underwriters, nor will any such persons have any liability or responsibility in relation to them.

## → 2 DETAILS OF THE OFFER

### ***No Cooling-off Period***

There is no cooling-off period for an investment in New Securities. Once an Application for New Securities is submitted and provided the Application is accepted, investors are not able to withdraw from the Offer other than as permitted by the Corporations Act, the Company Constitution or the Trust Constitution.

Investors may offer their New Securities for sale on ASX, should the ASX grant quotation, once the New Securities are quoted following Allotment.

### ***Handling Fees***

A handling fee of 1.1% (including GST) of the value of Application Monies will be paid by the Underwriters to participating organisations of ASX and appropriately licensed financial advisers for New Securities allotted pursuant to Application Forms which are stamped or otherwise attributable to that entity. No handling fee will be payable on New Securities allocated under the Institutional Offer. The Underwriters may also pay sub-underwriters and financial advisers certain other amounts from their fees. None of these payments are an additional cost to applicants.

### ***Securityholder Enquiries***

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your stockbroker, lawyer, accountant or other professional adviser.

Questions relating to the Entitlement Offer, Priority Offer and Public Offer can be directed to the Valad InfoLine on 1300 650 320 (within Australia) and +61 2 8280 7104 (outside Australia), your stockbroker or professional adviser.

→ **3** OVERVIEW OF  
SCARBOROUGH



## → 3 OVERVIEW OF SCARBOROUGH

Scarborough has a property portfolio valued at A\$1.7 billion (£0.7 billion), AUM of approximately A\$10.2 billion (£4.3 billion) across nine major property investment funds, four single investor funds, one fund currently being marketed, two joint ventures and a development pipeline of approximately A\$1.1 billion (£459.5 million). Scarborough has extensive operations throughout Europe with 16 offices in 11 countries and over 250 staff.

Scarborough is comprised of the following business segments:

- A diversified UK and European property portfolio
- A majority interest in a diversified UK and European real estate funds management business
- A diversified property services business

### Property Portfolio



Regent House, Dorking



Theobolds Road, London



12 Cock Lane, London

### Funds Management



Essener Bogner 7, Hamburg

## SCARBOROUGH

- Over 250 staff in 16 offices across 11 countries
  - Experienced senior management team
  - Ownership interests in 89 properties throughout UK and Europe
  - Development pipeline of 26 projects
- Manages
- 9 major property investment funds
  - 4 single investor funds
  - 2 joint ventures
  - 1 fund currently being marketed

PROPERTY PORTFOLIO			FUNDS MANAGEMENT	PROPERTY SERVICES		
UK Property Portfolio	Scarborough Continental Partners	Sc€uro	Teesland plc	Asset Management	Joint Venture Financing	Development Business
Ownership	Ownership	Ownership	Ownership	Ownership	Ownership	Ownership
100%	50%	50%	72.3%	100%	100%	100%
- Investment portfolio of 20 properties valued at A\$380 million (£160 million)	- 50:50 JV with HBOS - Current portfolio valued at A\$1.3 billion (€830 million) - Warehouse of assets for future funds focused on Europe	- 50:50 JV with HBOS - Warehouse of assets for future funds focused on value-add properties and repositioning opportunities - Focused on Central and Eastern Europe	- Pan-European property fund manager - Assets under management across all property sectors with a focus on the industrial and office sectors - Existing AUM of A\$8.8 billion (£3.7 billion)	- UK asset management and joint venture financing business - UK property development business - Interests in a current development pipeline of A\$1.1 billion (£459.5 million)		

### Property Services



Essener Strasse 89, Germany



Castle Business Park, Stirling



The Senate, Exeter



Broadleys Business Park, Stirling

# → 3 OVERVIEW OF SCARBOROUGH



*Regent House, Dorking*

### 3.1 UK and European Property Portfolio

Scarborough has a diversified portfolio of property ownership assets throughout the UK and Europe that is comprised of:

- A portfolio of commercial and industrial assets located in the UK
- SCP: A 50:50 joint venture with HBOS to acquire European assets to facilitate future funds management initiatives
- Sc€uro: A 50:50 joint venture with HBOS to acquire assets which require repositioning or other value-add asset management initiatives

The primary focus of the two joint venture companies with HBOS, SCP and Sc€uro, is the sourcing and warehousing of properties for future funds and the repositioning of assets for future growth. The joint ventures utilise the expertise of each partner: HBOS in providing innovative financial structuring and committed funding and Scarborough in sourcing, acquiring and providing active asset management to property assets.

#### 3.1.1 UK Property Portfolio

Scarborough's property portfolio includes 20 properties located throughout the UK and is comprised of office buildings, mixed commercial and industrial warehouses. The diversified portfolio is valued at approximately A\$380 million (£160 million). The UK property portfolio can be classified as core-plus in nature with the potential to provide Valad with returns from existing rental income and the opportunity to realise additional returns from the implementation of active asset management strategies.

Valad management has undertaken a strategic review of the portfolio to establish an asset management strategy for each asset over the short to medium term, which may include the potential sale or redevelopment of selected assets.

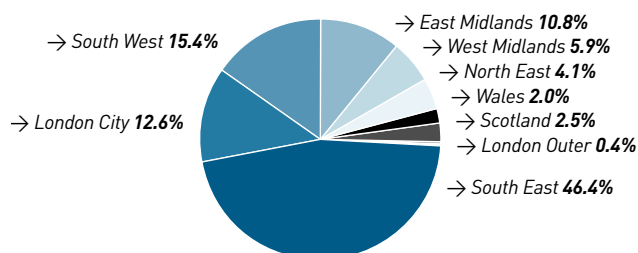
#### Portfolio overview

Further details of Scarborough's UK Property Portfolio are contained in Section 4.4.

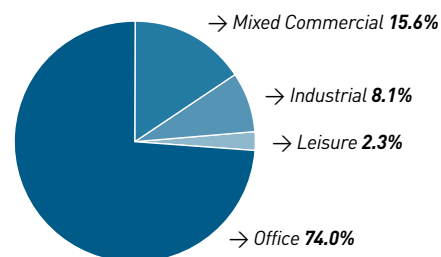
##### VALUATION/PROPERTY DETAILS - PORTFOLIO

Value	A\$380 million (£160 million)
Valuation date	1 June 2007
Floor space (sqm)	102,371
Occupancy	90.4%

#### Portfolio overview Geographic Diversification



#### Portfolio overview Sector Diversification



# → 3 OVERVIEW OF SCARBOROUGH



Unterturkheimerstraße, Berlin

### 3.1.2 Scarborough Continental Partners

SCP is a 50:50 joint venture warehouse vehicle established by Scarborough and HBOS to provide seed portfolios for future funds management initiatives. HBOS has advised that following the Acquisition, it will remain committed to the development and growth of SCP. SCP's current portfolio comprises over 69 industrial, office and mixed use properties predominately located in Germany, Denmark, France and Norway with a portfolio value of A\$1.3 billion (€830 million).

SCP acquires properties to form portfolios, which are of sufficient size to seed investment funds, and is predominantly focused upon the acquisition of properties in Europe.

Valad believes that SCP's competitive advantages include:

- Ability to act quickly, with approval processes streamlined between equity and debt financier
- Ability to acquire smaller portfolios which can be aggregated to create a portfolio of critical mass to establish new funds
- Ability to acquire assets which require repositioning through active asset management strategies that can potentially be sold or included in future fund initiatives

SCP currently has a A\$1.6 billion (€1 billion) debt facility, provided by HBOS which permits an 80% loan-to-value ratio. This provides SCP with acquisition capacity of up to A\$2.0 billion (€1.25 billion).

The majority of SCP's current portfolio has been earmarked for inclusion in the Teesland managed "German Aktiv Fund", which is currently being marketed to institutions. Valad management expects the German Aktiv Fund will be established during 2007 and plans to take a 10% equity interest as a cornerstone investor.

#### European Property Portfolio

Further details of Scarborough's current European property portfolio are in Section 4.3.

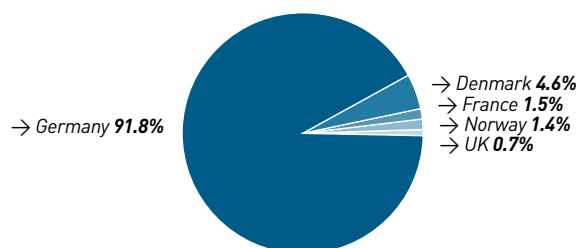
#### Portfolio overview

##### VALUATION/PROPERTY DETAILS

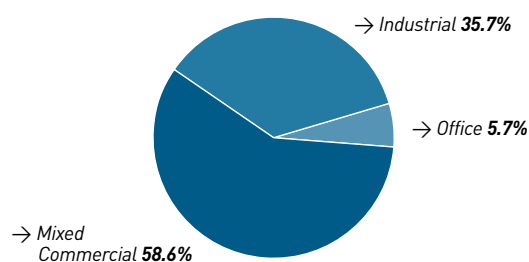
Value	A\$1.3 billion (€830 million)
Valuation date	30 June 2007*
Floor Space (sqm)	1,130,222
Occupancy	92.8%

\*Excludes Danish, French, Norwegian and UK assets which are book values as at 31 March 2007.

#### Portfolio overview Geographic Diversification



#### Portfolio overview Sector Diversification



### 3.1.3 ScEuro

ScEuro is also a 50:50 joint venture with HBOS, which has been recently established to secure assets that require repositioning and other value-add asset management initiatives. It is intended that ScEuro will focus on acquiring assets in emerging markets such as Central and Eastern Europe.

ScEuro has a committed debt facility of A\$278 million (€175 million), which will allow the joint venture to acquire up to A\$348 million (€219 million) in property assets. ScEuro is currently investigating a number of assets and markets within Europe, with a target of acquiring A\$238 million (€150 million) of properties during FY2008.

ScEuro is currently undertaking due diligence on a portfolio of properties located in Germany. The acquisition price of this portfolio is estimated to be in the range of A\$64-79 million (€40-50 million). It is expected that any transaction involving the portfolio will be completed in July 2007. The likely acquisition yield of the portfolio is expected to be consistent with the financial assumptions for ScEuro which are detailed in Section 9.

# → 3 OVERVIEW OF SCARBOROUGH



*Essener Strasse 89, Hamburg*

### 3.2 UK and European Funds Management Business

Scarborough has a majority (72.3%) ownership interest in Teesland, a public property funds management company listed on the London Stock Exchange. As part of the Acquisition, Valad will receive Scarborough's shareholding in Teesland. Following the Acquisition, Valad will seek to have Peter Hurley appointed to the board of directors of Teesland plc.

Teesland's funds cover a wide range of property asset classes throughout the UK and Europe, with a particular emphasis on the industrial sector. Teesland is expected to have AUM of A\$8.8 billion (£3.7 billion) in 13 funds and two joint ventures at June 2007.

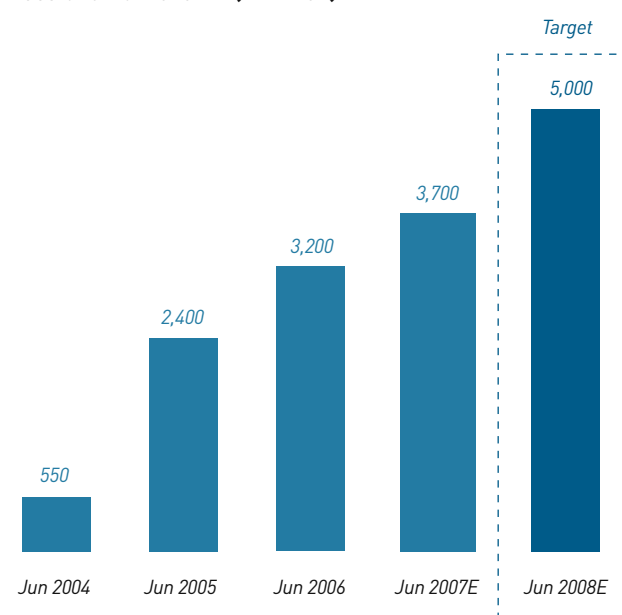
Teesland has over 200 staff, operating in 14 offices across nine countries throughout the UK and Europe, who undertake the full spectrum of property funds management including asset management and acquisition services. Valad believes that Teesland's strengths are its in-house asset management and delivery capabilities, which enhances Teesland's ability to provide improved returns for fund investors.

Teesland has experienced strong growth since listing on the LSE in October 2002, with AUM having grown from A\$1,305 million (£550 million) in June 2004 to over A\$8.8 billion (£3.7 billion) at June 2007, with targeted growth in AUM to A\$11.8 billion (£5.0 billion) by June 2008.

Recent fund offerings have been well supported by the investment market including the launch of the €550.4 million Nordic Aktiv Fund ("Nordic Fund") in November 2006. The Nordic Aktiv Fund has continued to acquire assets since launch and is now fully invested at A\$1,359 million (€855 million) AUM. Since inception the Nordic Fund has returned an annualised 11.8%<sup>10</sup> to investors with potential future growth through active asset management and further acquisitions. The seed portfolio for the Nordic Fund was secured by SCP, demonstrating the strength of the Scarborough integrated property platform for sourcing, acquiring and managing assets.

Teesland has been listed on the LSE since October 2002 and is regulated in the UK to undertake fund origination, equity raisings and funds management. In October 2004 Teesland acquired Property Fund Management plc, the parent company of specialist industrial property fund manager, iOG. The merged group then became known as Teesland iOG. In February 2007, the Scarborough Group acquired a controlling 72.3% interest in Teesland.

#### Teesland AUM Growth (£ million)



Valad has obtained an ex parte ruling from the Executive of the Panel of Takeovers and Mergers ("Panel") that Valad will not be required to make a takeover offer in the UK for the remaining 27.7% of Teesland as a result of the Acquisition. As the ruling was obtained on an ex parte basis it does not preclude the Panel from varying such a ruling in the future.

<sup>10</sup> Investor returns have been calculated as the annualised total return since inception to 31 March 2007.

# → 3 OVERVIEW OF SCARBOROUGH

NAME OF TEESLAND FUND	ESTIMATED AUM AT JUNE 2007	LOCATION OF INVESTMENTS	PROPERTY TYPE	TOTAL FUND RETURN YEAR TO 31 DEC 06	TOTAL FUND RETURN SINCE FUNDS INCEPTION
Osprey Limited Partnership	€280 million	UK	Diversified	24.20%	25.80%
The Industrial Trust	€460 million	UK	Industrial	12.10%	12.20%
Teesland Advantage Property	€260 million	UK	Diversified	16.40%	18.10%
Industrial Investment Partnership	€140 million	UK	Diversified	16.30%	14.50%
University Capital Trust	€50 million	UK	Student accommodation	9.09%	9.09%
UK single investor funds (four)	€210 million	UK	Industrial/Retail	NA	NA
European Industrial Partnership	€605 million	France, Netherlands, Germany	Industrial	27.30%	13.00%
European High Income	€855 million	France, Netherlands, Germany, Denmark	Industrial	24.40%	17.30%
Central European Industrial Fund	€250 million	Poland, Hungary, Czech Republic, Romania	Industrial	10.80%	14.10%
Nordic Aktiv	€855 million	Sweden, Denmark, Finland, Norway	Office, Industrial	NA	11.80% <sup>1</sup>
German Aktiv Fund (Pending)	approx €770 million	Germany	Office, Industrial	NA	NA

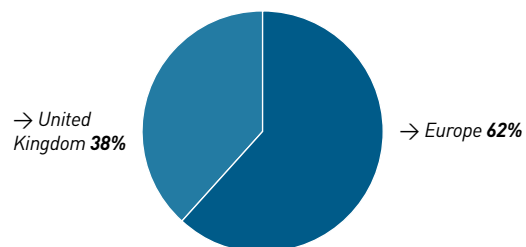
1. Annualised return since inception to 31 March 2007.

Teesland currently has nine major funds, four single investor funds and is currently marketing the German Aktiv Fund which is expected to be launched in CY2007. Teesland also provides asset management and acquisition services to two joint ventures (SCP and Sc€uro).

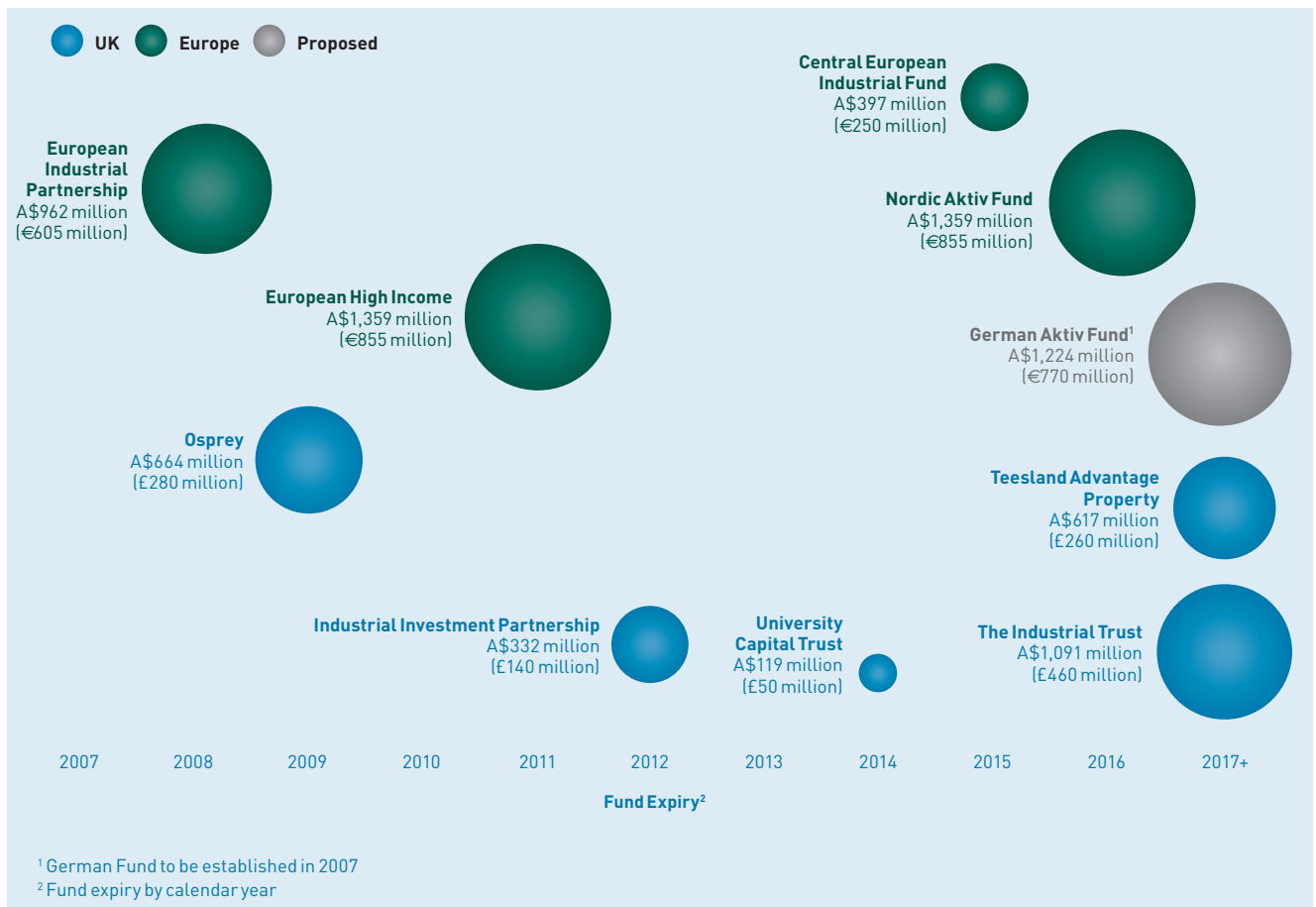
Of the nine major funds and four single investor funds, nine focus on mixed use, industrial, student accommodation and retail property in the UK. The four European property funds are predominately focused on industrial property in Germany, Scandinavia and Central Europe.

Teesland's European funds currently represent approximately 62% of AUM. The increased focus on Europe is reflective of Teesland's strategy to establish funds in growth areas, anticipate market movements and implement active asset management strategies that enhance long term value for investors.

## Geographic Split of AUM at 31 December 2006



## Teesland Significant Funds



With the exception of the Teesland Advantage Property Fund which is listed on both the LSE and the Channel Islands Stock Exchange, all the other funds are unlisted and target predominantly wholesale investors. The top 10 investors in Teesland's managed funds account for more than half of Teesland's total funds under management and include many significant financial institutions and pension funds such as ABP, Clerical Medical Investment Group, GIC, Norwich Union, PGGM and Morley. Valad believes that the acquisition of Scarborough's majority ownership interest in Teesland provides the potential to target existing investors for new fund offerings and attracting investors into other property investment funds managed by Valad.

Teesland managed funds have remaining terms which range from one year to in excess of 10 years. The majority of funds do not expire until after 2015 providing certainty of income. The only near term expiry is the European Industrial Partnership which is due to expire in July 2008.

In addition to funds management activities, Teesland provides both acquisition and asset management services to SCP, for which it earns a fee. The asset and fund management fee is equal to 0.5% of gross asset value and an acquisition fee of 0.5% of the property acquisition price. This service and fee regime is expected to continue post the Acquisition.

Valad intends to support Teesland's strategy of:

- Expanding geographically, with a focus on Germany, the Nordic Region, Central Europe, France and the UK
- Further diversifying the type and nature of its managed funds, including the establishment of funds in alternative real estate sectors such as development focused investment funds

## → 3 OVERVIEW OF SCARBOROUGH



38 Threadneedle Street, London

### 3.3 Property Services

In addition to the extensive property portfolio, Valad will also acquire Scarborough's integrated property services, joint venture financing and development platform. Valad expects to expand upon the established property services platform both within the UK and Europe and to play an active role in pursuing new property development and management opportunities.

#### 3.3.1 Property management

Scarborough undertakes property management services for its property portfolio and selected third party clients. These activities include the provision of asset management, property management, leasing and acquisition services. Scarborough receives acquisition fees equal to 0.5% of the gross asset value of properties purchased by SCP for the services and advice provided in relation to asset sourcing and acquisition. Scarborough also earns a disposal fee of 0.25% of the gross asset value upon the sale of properties by SCP. Scarborough will also receive fees in relation to the acquisition and disposal of assets by Sc€uro.

#### 3.3.2 Joint venture financing

Scarborough provides property finance for development activity across a diversified portfolio of assets. Scarborough receives preferred and income returns from providing finance that funds the development and redevelopment of properties. The joint venture financing pipeline is located throughout the UK and includes office, retail, industrial and mixed use developments. The current joint venture financing portfolio is valued at A\$848.3 million (£357.6 million) across 21 current projects.

Valad management believes there is significant potential for Valad to leverage off Scarborough's current financing activities with its successful Valad Capital Services business (the Valad Capital Services business is detailed in Section 5).

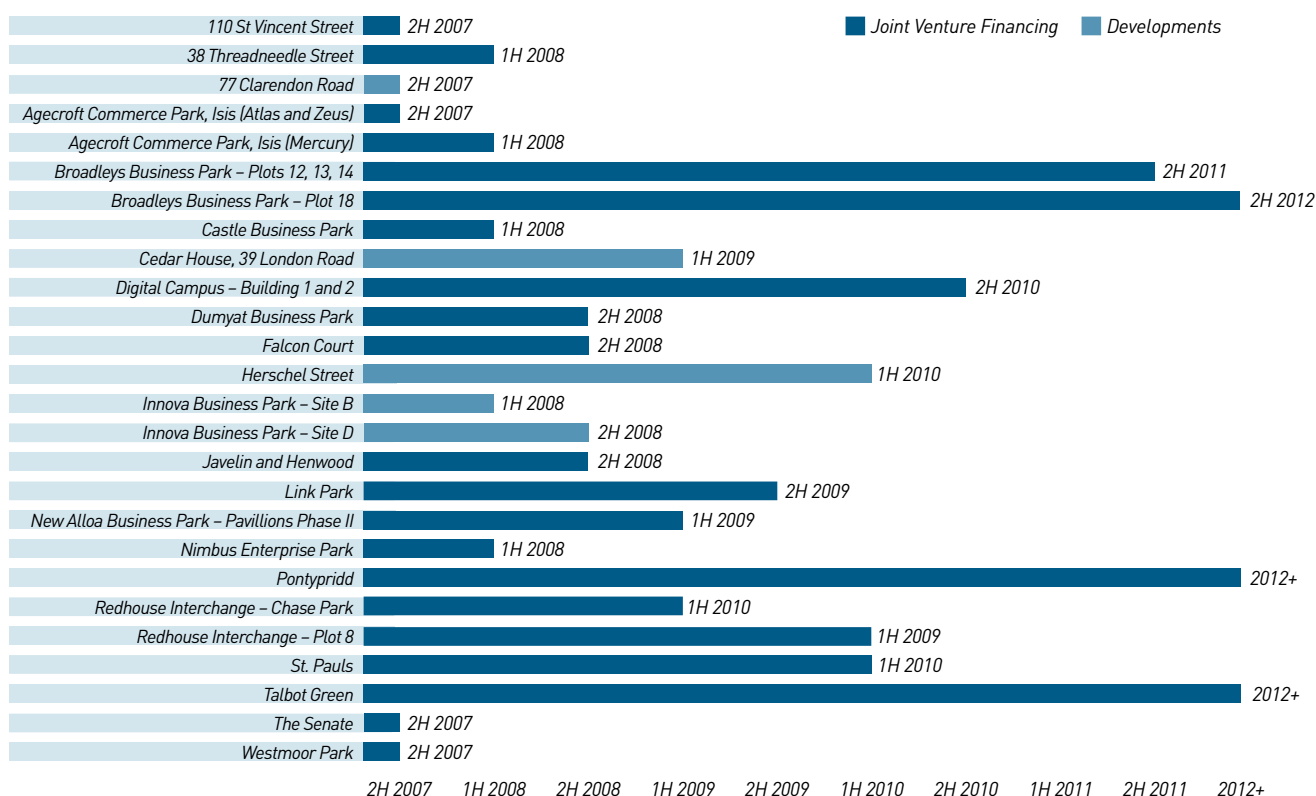
#### 3.3.3 Property development

Scarborough has a development portfolio pipeline of approximately A\$241.7 million (£101.9 million) across 5 current projects.

Scarborough has forged relationships with local authorities, regional development agencies, tenants, contractors and national government organisations.

Details of Scarborough's portfolio of financing and development projects are set out in the exhibits below:

#### UK Property Development and Joint Venture Financing Portfolio *Projects overview*



→ 4 PROPERTY PORTFOLIO  
AND DEVELOPMENT  
PROJECTS



#### 4.1 UK and European Economic Overview

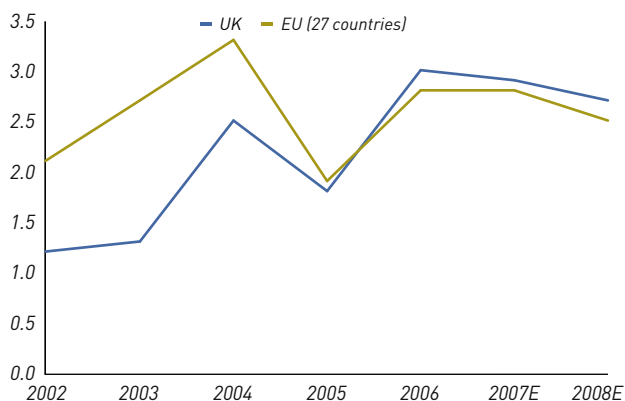
The Scarborough businesses are exposed to the UK and European economies, which have historically seen stable growth.

In the UK, recent economic data figures from National Statistics revealed that GDP rose by 0.7% in the first quarter of 2007. This represents the third consecutive quarterly rise of 0.7%, underlining the steady growth underpinning the UK economy at present.

Europe has also shown solid growth prospects with GDP increasing by 0.6% in the first quarter of 2007.

The chart below highlights the year on year GDP growth of the UK and European Union ("EU").

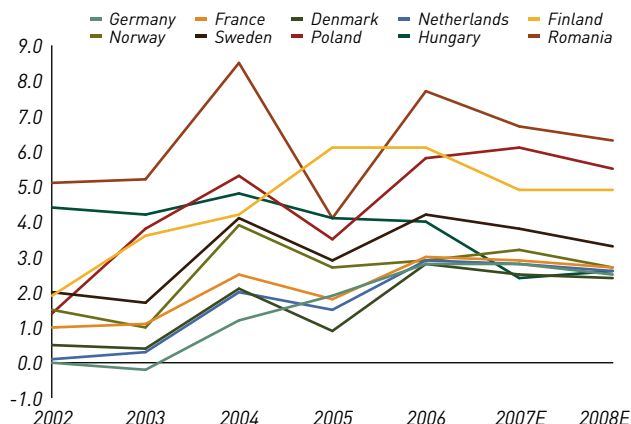
**GDP Year on Year Growth – UK and EU**



Source: Eurostat

Within the EU, Scarborough has exposure to a number of economies including Germany, Denmark, Norway, France and areas of Eastern and Central Europe such as Poland and Romania.

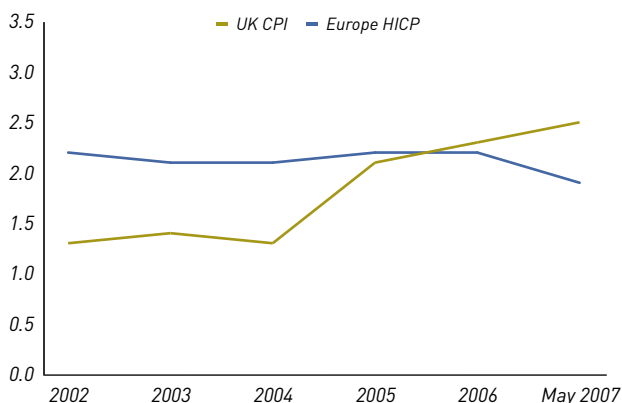
**GDP Year on Year Growth – European Countries**



Source: Eurostat

CPI inflation in the UK stood at 2.5% in May 2007, down from 3.1% in March 2007. The provisional Harmonised Indices of Consumer Prices ("HICP") inflation rate for the EU area in May 2007 was 1.9%.

**UK CPI and Europe HICP**



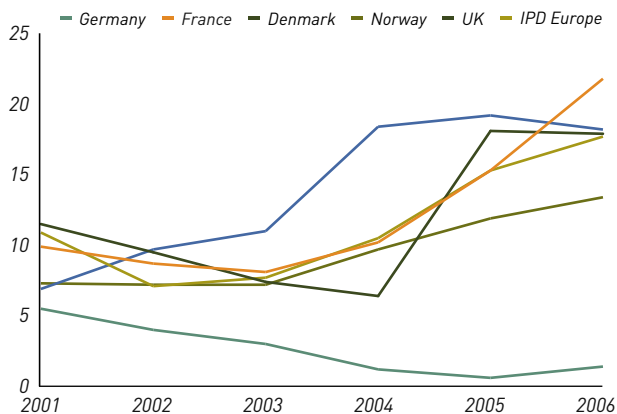
Source: National Statistics and Eurostat

#### 4.2 UK and European Property Market Overview

The Scarborough property portfolio, and its funds and asset management businesses, have exposures to the UK and European property markets.

The UK and European property markets have performed strongly over the past 12 months. According to IPD, the UK office sector performed strongly over the past 12 months to April 2007 generating the highest total return of any sector with a total return of 20.5%. The sustained investor demand, in particular for product with strong projected rental growth continues to impact positively upon the sector. UK industrial sector total returns remain strong, driven by solid rental and capital growth with a total return of 14.6% over the 12 months to April 2007. Total returns for UK retail properties over the 12 months to April 2007 totalled 11.9%. The IPD total return index for Europe returned 13.3% in 2006.

**Total Returns – All European Properties**



Source: IPD

# → 4 PROPERTY PORTFOLIO AND DEVELOPMENT PROJECTS

## 4.3 SCP Portfolio Details

The SCP Portfolio is made up of 69 industrial and commercial properties located in Germany, France, Denmark, Norway and the UK.

### SCP Portfolio Analysis

ADDRESS	LOCATION	ASSET TYPE	FLOOR SPACE (SQM)
<b>Germany</b>			
Schoeneberger Strasse 1	Berlin	Mixed Commercial	17,567
An der Spreeschanze	Berlin	Mixed Commercial	10,439
Holzhauser Strasse	Berlin	Mixed Commercial	25,643
Untertürkheimerstraße	Berlin	Mixed Commercial	27,600
Colditz Strasse	Berlin	Mixed Commercial	60,154
Thiemannstraße	Berlin	Mixed Commercial	52,959
Bücklestr. 1-5	Konstanz	Industrial	60,282
Kässbohrer Strasse	Ulm	Industrial	6,907
Äussere Wiener Strasse	Regensburg	Industrial	6,740
Borsigstr. Gutenberg Strasse, Barbing	Regensburg	Industrial	17,389
Hansestrasse 60-66	Köln	Industrial	10,359
Zeughofstraße	Berlin	Mixed Commercial	47,206
Bottcherhof 1	Hamburg	Industrial	33,677
Bottcherhof 1a	Hamburg	Industrial	8,139
Billbrookdeich 170-186	Hamburg	Industrial	11,661
Billbrookdeich 207	Hamburg	Industrial	5,699
Bottcherhof 2	Hamburg	Industrial	52,859
Bottcherhof 2a	Hamburg	Industrial	9,431
Bredowstrasse 19	Hamburg	Industrial	6,530
Billbrookdeich 220-222	Hamburg	Industrial	15,862
Grusonstrasse 40	Hamburg	Industrial	6,188
Grusonstrasse 46	Hamburg	Mixed Commercial	3,090
Halskestrasse 24-26	Hamburg	Industrial	17,605
Pinkertweg 12	Hamburg	Industrial	11,203
Pinkertweg 8-10	Hamburg	Industrial	24,735
Billbrookdeich 140-146	Hamburg	Industrial	12,296
Industriepark Ettlingen	Karlsruhe	Industrial	120,537

<i>ADDRESS</i>	<i>LOCATION</i>	<i>ASSET TYPE</i>	<i>FLOORSPACE (SQM)</i>
Essener Strasse 89	Hamburg	Mixed Commercial	12,607
Essener Bogner 3	Hamburg	Industrial	10,126
Essener Bogner 5	Hamburg	Industrial	10,172
Essener Bogner 7	Hamburg	Mixed Commercial	11,922
Essener Bogner 15	Hamburg	Mixed Commercial	6,968
Essener Bogner 17	Hamburg	Office	2,036
Margaretha-Ley-Ring 1-14, Aschheim	Munich	Industrial	29,809
Montanstrasse 18-26	Berlin	Industrial	23,000
Heltorfer Strasse 4-6	Dusseldorf	Office	6,198
Heltorfer Strasse 12-22	Dusseldorf	Mixed Commercial	33,043
Reisholzer Werftstrasse 38-42	Dusseldorf	Mixed Commercial	17,980
Theodorstrasse 293	Dusseldorf	Mixed Commercial	9,034
Theodorstrasse 295	Dusseldorf	Mixed Commercial	5,076
Kugelfangtrift 4-10/Lilienthalstrasse 17-19	Hannover	Mixed Commercial	15,947
Falderbaumstrasse 22	Kassel	Industrial	2,609
Elisabeth-Selbert-Strasse 13, Langenfeld	Dusseldorf	Mixed Commercial	5,837
Waldauer Weg 90-92, Lohfelden	Kassel	Mixed Commercial	3,170
Waldauer Weg 80-88, Lohfelden	Kassel	Mixed Commercial	6,148
Otto Hahn Str 36, Lohfelden	Kassel	Mixed Commercial	18,356
Nordostpark 32-34	Nuremburg	Mixed Commercial	6,336
Nordostpark 74-78	Nuremburg	Mixed Commercial	4,948
Nordostpark 52-56	Nuremburg	Mixed Commercial	3,975
Nordostpark 98-102	Nuremburg	Office	9,782
Thurn & Taxi Strasse 18	Nuremburg	Mixed Commercial	2,202
Christa-McAuliffe-Strasse 1, Bldg 3, Ottobrunn	Munich	Mixed Commercial	13,072
Lise-Meitner-Strasse, Bldg. 10.0-10.4, Ottobrunn	Munich	Office	7,143
Marie-Curie-Strasse 6, Bldg. 8.4 and 8.6, Ottobrunn	Munich	Industrial	3,142
Maria-Merian-Strasse 6, Bldg 7.0 and 7.1, Ottobrunn	Munich	Office	3,775
Benzstrasse 11/Siemensstrasse 4, Puchheim	Munich	Mixed Commercial	45,372

# → 4 PROPERTY PORTFOLIO AND DEVELOPMENT PROJECTS

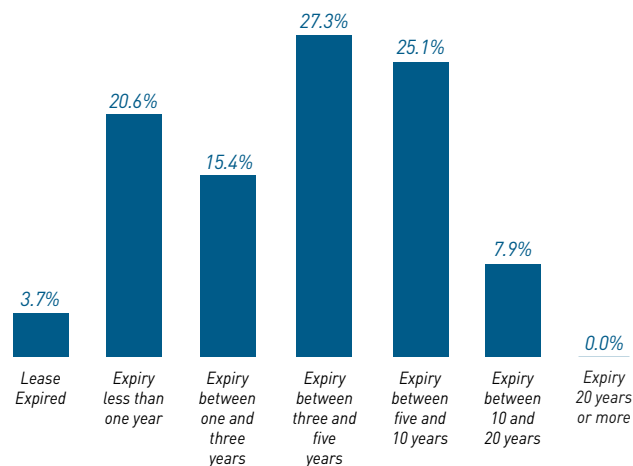
ADDRESS	LOCATION	ASSET TYPE	FLOOR SPACE (SQM)
<b>France</b>			
ZI de la Bonde, 2, rue du Buisson aux Fraises, Massy, Ile de France	Massy	Mixed Commercial	4,400
Actipierre, 15, rue du Buisson aux Fraises, Massy, Ile de France	Massy	Mixed Commercial	3,960
Barclays Pierre (Natexis), 15, rue du Buisson aux Fraises, Massy, Ile de France	Massy	Mixed Commercial	4,400
<b>Denmark</b>			
Stensmosevej 22–25	Greater Copenhagen	Mixed Commercial	15,903
Hammerholmen 9–13	Greater Copenhagen	Mixed Commercial	14,162
Kanalholmen 14–18	Greater Copenhagen	Mixed Commercial	16,393
Roholmsvej 10–14	Greater Copenhagen	Mixed Commercial	14,649
Roholmsvej 15–17	Greater Copenhagen	Mixed Commercial	9,032
Hammerholmen 43–45	Greater Copenhagen	Mixed Commercial	8,973
Baldersbækvej 24–26	Greater Copenhagen	Mixed Commercial	8,084
<b>UK</b>			
Melton Park Industrial Estate, Gibson Lane	Hull	Industrial	9,950
<b>Norway</b>			
Fabrikkveien	Stavanger	Office	5,586
Lagerveien 10/12c	Stavanger	Office	2,188
<b>Total floor area (sqm)</b>			<b>1,130,222</b>
<b>Total portfolio value</b>			<b>€830 million</b>

### Top 10 Tenants by Net Rental Income

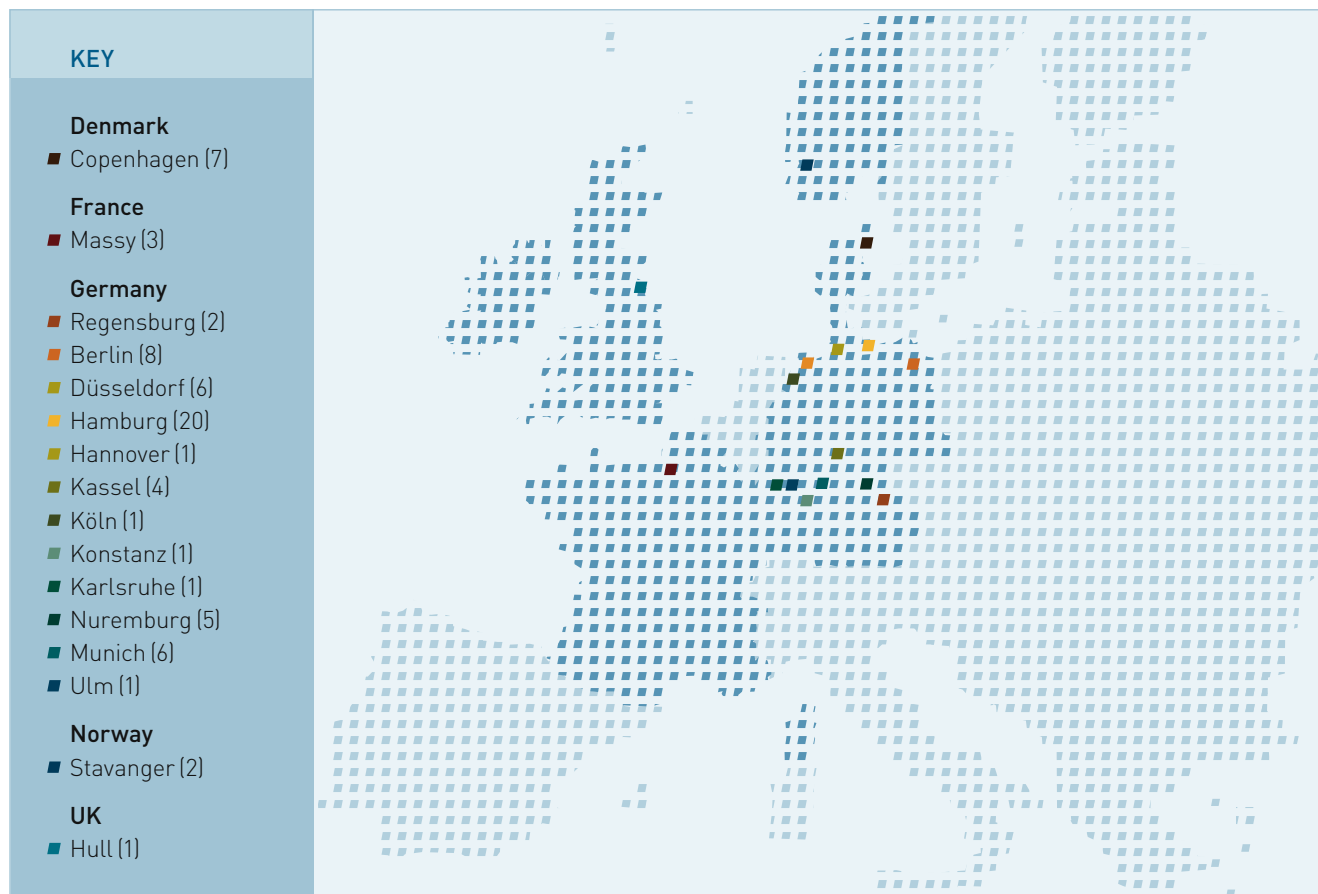
The SCP portfolio has a diversified tenant base with none of the top 10 tenants representing more than 7% of current net rental income.

TENANT	% OF NET RENTAL INCOME
DaimlerChrysler AG	6.3%
Frontpac	5.3%
Nokia GmbH	4.0%
Siemens AG	3.9%
Sandoz	3.9%
Escada AG	2.8%
Lilly Forschung GmbH	2.6%
MSA Auer	2.5%
Ecolab	2.0%
Alcatel SEL AG	1.9%
<b>Top 10 Tenants</b>	<b>35.2%</b>

### Lease Expiry by Floor Space



### Geographic Locations



# → 4 PROPERTY PORTFOLIO AND DEVELOPMENT PROJECTS

## 4.4 UK Property Portfolio Details

The UK property portfolio comprises 20 diversified commercial and industrial properties across the UK.

### UK Property Portfolio Analysis

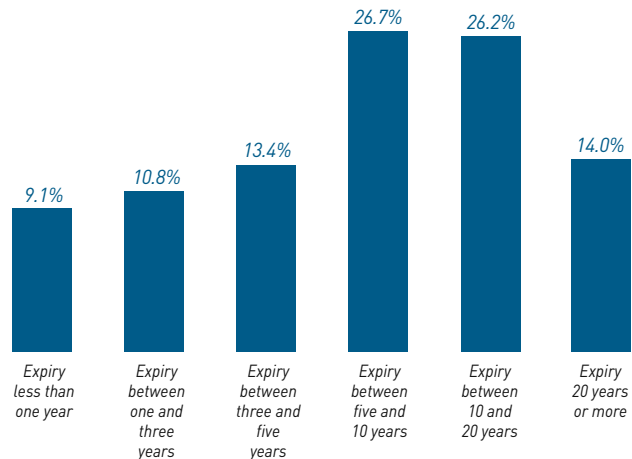
ADDRESS	LOCATION	ASSET TYPE	FLOOR SPACE (SQM)	OWNERSHIP
Intec Business Park	Basingstoke	Mixed Commercial	20,951	100%
Bookham Complex	Caswell	Office	16,842	100%
All Saints Business Pk	Wednesbury	Industrial	15,618	100%
Southernhay Gardens	Southernhay East, Exeter	Office	11,314	100%
Unit 1 Britannia Park, Romalldkirk Road	Middlesborough	Industrial	5,957	100%
Prisma, Easthampstead Road	Bracknell	Office	5,006	100%
Turnhams Green Business Park	Theale	Office	3,362	100%
Norwich House, London Road	Camberley	Office	3,248	100%
Woking 8, Forsyth Road	Woking	Office	3,106	100%
Summit House, London Road	Bracknell	Office	2,957	100%
12 Cock Lane	London	Office	2,342	100%
Tintern House, Llantarnam Business Park	Cwmbran	Office	2,169	100%
Regent House, Station Approach	Dorking	Office	2,116	100%
Theobalds Road	London	Office	1,951	100%
2-8 Melville Street	Edinburgh	Office	1,111	100%
The Dorchester	Kingston Upon Hull	Public House/Hotel	2,434	100%
Red Lion, Old Portsmouth Road	Milford	Public House	798	100%
Carter's Club	Bradford	Public House	508	100%
Old Chestnut, 12 Station Road	Redhill	Public House	302	100%
Carrington Arms	Moulsoe	Public House	279	100%
<b>Total floor space (sqm)</b>				<b>102,371</b>
<b>Total Portfolio Value</b>				<b>£160 million</b>

### Top Tenants by Net Rental Income

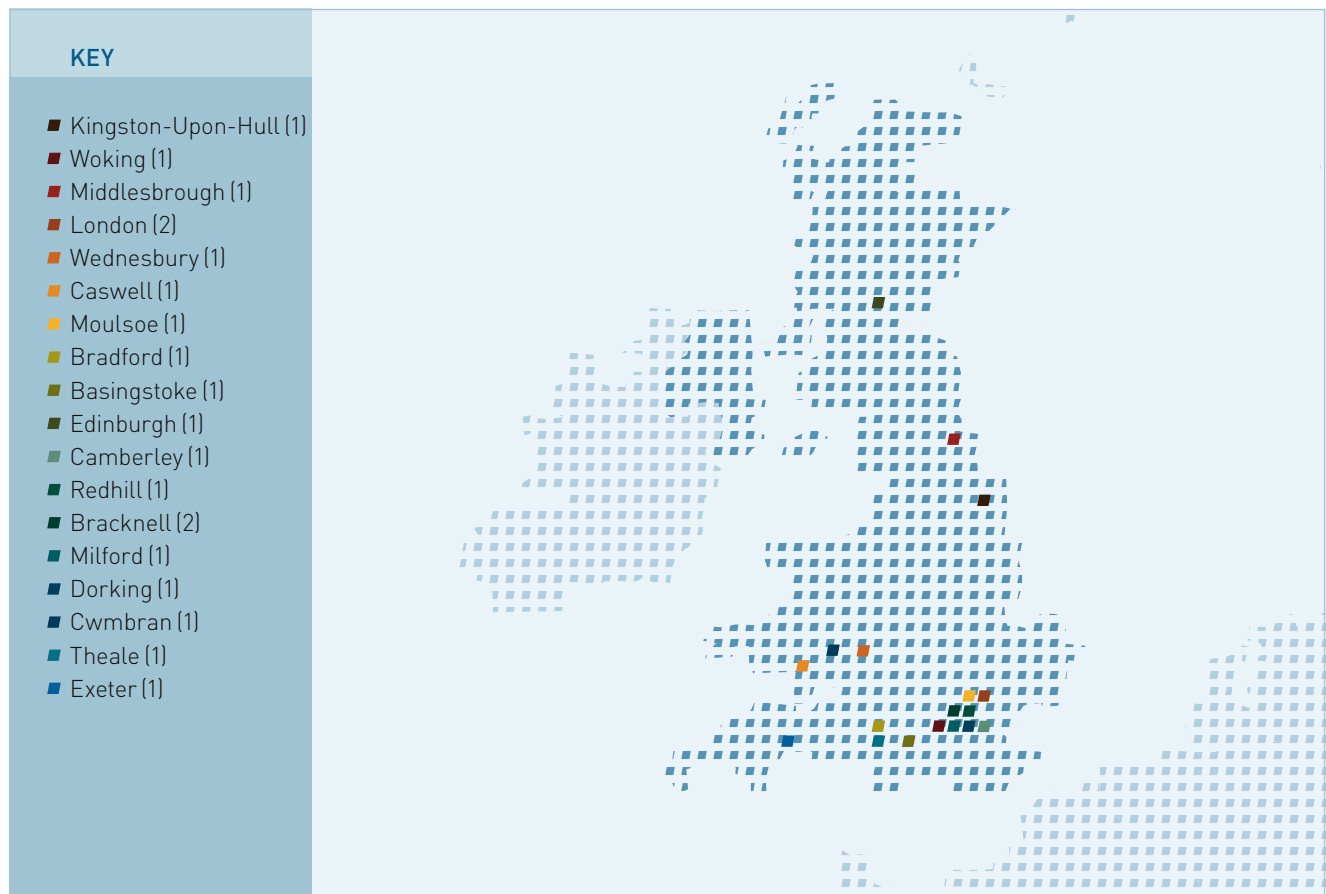
The UK property portfolio has a diversified tenant base with no single tenant representing more than 11% of current net rental income.

TENANT	% OF NET RENTAL INCOME
Bookham Technology plc	11.0%
3M United Kingdom plc	9.2%
Powell Duffryn Ltd	7.4%
Computer 2000 Distribution Ltd	6.6%
Corus Engineering Steels (UK) Ltd	5.1%
Redland plc	4.6%
Brewin Dolphin Securities Ltd	2.4%
<b>Top 7 Tenants</b>	<b>46.3%</b>

### Lease Expiry by Floor Space



### Geographic Locations



# → 4 PROPERTY PORTFOLIO AND DEVELOPMENT PROJECTS

## 4.5 Development Projects

### UK Development Projects

ADDRESS	LOCATION	% OWNED	ASSET TYPE	APPROX AREA (SQFT)	EXPECTED COMPLETION DATE
77 Clarendon Rd	Watford	100%	Commercial	10,900	2H 2007
Innova Business Park – Site B	Enfield	100%	Commercial	21,700	1H 2008
Innova Business Park – Site D	Enfield	100%	Commercial	15,200	2H 2008
Cedar House, 39 London Road	Reigate	100%	Commercial	36,000	1H 2009
Herschel Street	Slough	100%	Commercial	143,000	1H 2010

Notes:

1 Area is rounded.

2 Expected Completion Date refers to the final anticipated sale.

### Geographic Locations



## 4.6 Development – Joint Venture Financing

### UK Joint Venture Projects

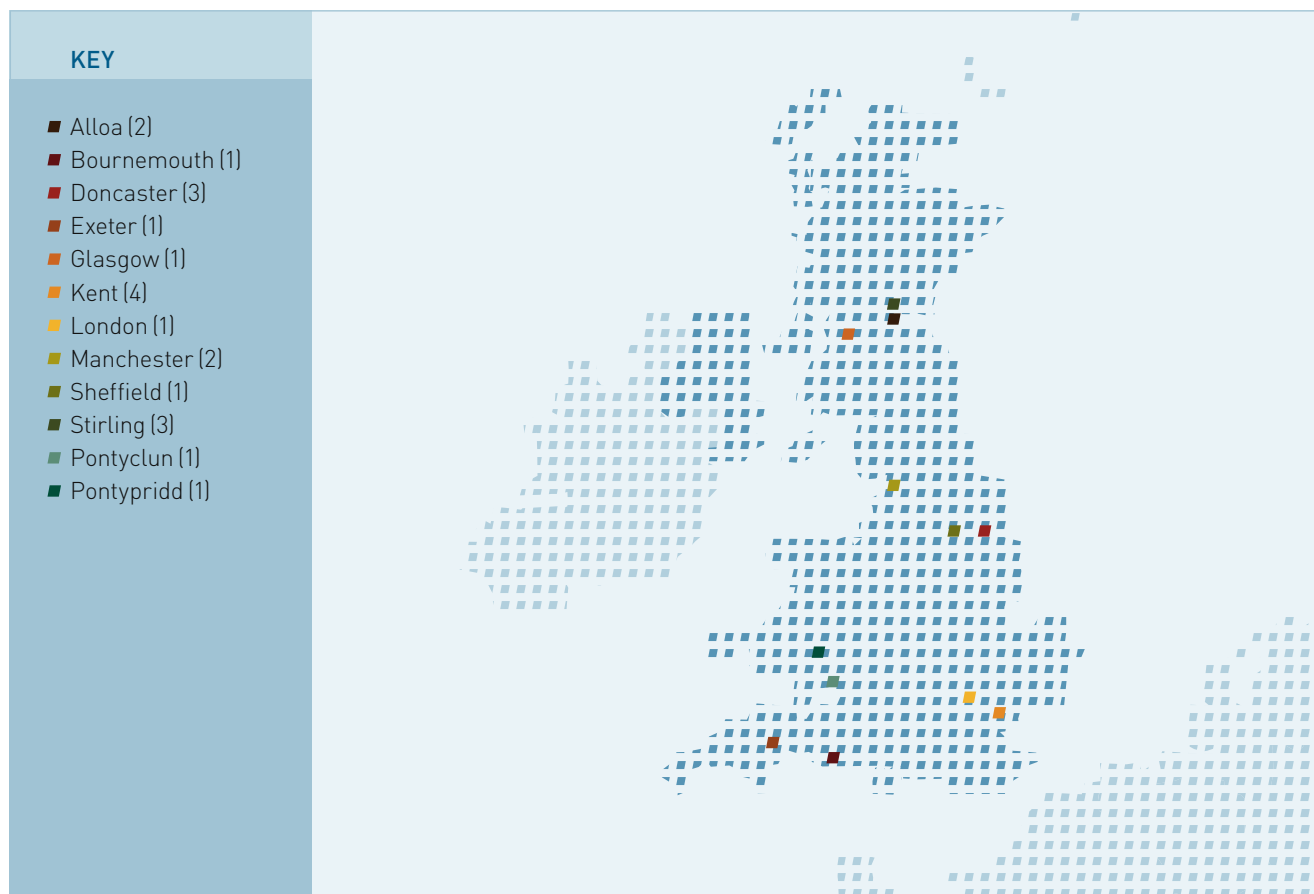
ADDRESS	LOCATION	% OWNED	ASSET TYPE	APPROX AREA (SQFT)	EXPECTED COMPLETION DATE
Link Park	Lympe, Kent	50%	Industrial	16 acres + 20,000	2H 2009
Redhouse Interchange – Chase Park	Doncaster	50%	Industrial	5.5 acres	1H 2010
St Pauls	Bournemouth	50%	Residential/ Commercial	185 units + 111,700	1H 2010
Talbot Green Town Centre <sup>1</sup>	Pontyclun, Llantrisant	50%	Town Centre	–	2012+
Redhouse Interchange – Plot 8	Doncaster	50%	Industrial	300,000	1H 2009
Westmoor Park	Doncaster	50%	Industrial	163,600	2H 2007
Pontypridd Town Centre	Pontypridd	50%	Retail/Town Centre	135,000	2012+
Agecroft Commerce Park, Isis – (Atlas and Zeus)	Manchester	50%	Industrial	130,500	2H 2007
Digital Campus – Building 1 and 2	Sheffield	50%	Commercial	100,700	2H 2010
110 St Vincent St	Glasgow	16.7%	Commercial	95,800	2H 2007
Broadleys Business Park – Plots 12, 13, 14	Stirling	50%	Industrial	82,500	2H 2011
Broadleys Business Park – Plot 18	Stirling	50%	Industrial	72,100	2H 2012
The Senate	Exeter	50%	Commercial	71,700	2H 2007
Nimbus Enterprise Park	Maidstone, Kent	50%	Industrial/ Commercial	70,900	1H 2008
Castle Business Park	Stirling	50%	Commercial	54,500	1H 2008
Javelin and Henwood	Ashford, Kent	50%	Industrial	42,600	2H 2008
Dumyat Business Park	Alloa	50%	Commercial	35,000	2H 2008
Agecroft Commerce Park, Isis – (Mercury)	Manchester	50%	Industrial	33,000	1H 2008
38 Threadneedle Street	London	16.7%	Commercial & Retail	30,800	1H 2008
New Alloa Business Park – Pavillions Phase II	Alloa	50%	Commercial	20,000	1H 2009
Falcon Court	Maidstone, Kent	50%	Commercial	6,700	2H 2008

Notes:

- 1 Talbot Green Town Centre assumes 'as is' value on existing improvements. Area not applicable as town centre scheme envisaged c.532,500 sqft.
- 2 Area is rounded.
- 3 Expected Completion Date refers to the final anticipated sale.

# → 4 PROPERTY PORTFOLIO AND DEVELOPMENT PROJECTS

## Geographic Locations



## 4.7 Properties for sale

There are seven properties which are identified to be sold in the short term.

PROPERTIES HELD FOR SALE	LOCATION	ASSET TYPE	INTERNAL FLOOR SPACE (SQM)	OWNERSHIP
MFI Unit, Goldington Road	Bedford	Retail	798	20%
Borehamwood Industrial Estate	Borehamwood	Industrial	2,096	20%
Pipers Court, London Road	Camberley	Office	714	20%
Priory Walk Shopping Centre	Colchester	Retail	2,685	50%
Saab Unit	Northampton	Industrial	1,389	20%
Balfour House	Walton – on – Thames	Office	602	22.6%
CSB House, Clarendon Road	Watford	Office	424	22.8%

→ **5 VALAD PROPERTY GROUP**



# → 5 VALAD PROPERTY GROUP

## 5.1 Overview of Valad Property Group

Valad Property Group is a diversified property funds management group involved in management of unlisted property funds, investment in those funds, property ownership and property development management services. Valad is a leading Australian manager of property value-adding funds, with A\$6.6 billion of AUM.

Valad has been delivering property investors attractive returns across the full risk/return spectrum since 1995. Pursuing a global vision for its funds management business, Valad is building on its reputation for providing first mover advantage in Australia through the creation of innovative investment products across key property sectors, sourced by its talented team of investment, property and finance professionals. Valad's diverse array of managed funds range from higher return opportunity funds to low risk core and core-plus funds.

Valad continues to focus on improving Securityholder returns, including expanding its regional and international operations when further opportunities arise. Valad seeks to develop sophisticated fund opportunities for domestic and international investors, providing the "value-add" that underpins the Company's name and philosophy.

Valad's revenue is highly diversified across the operations of the Group, extending across a broad range of property types, including office, industrial, retail and self storage, as well as being geographically diverse. This diversification reduces reliance on any one property, sector or geography.

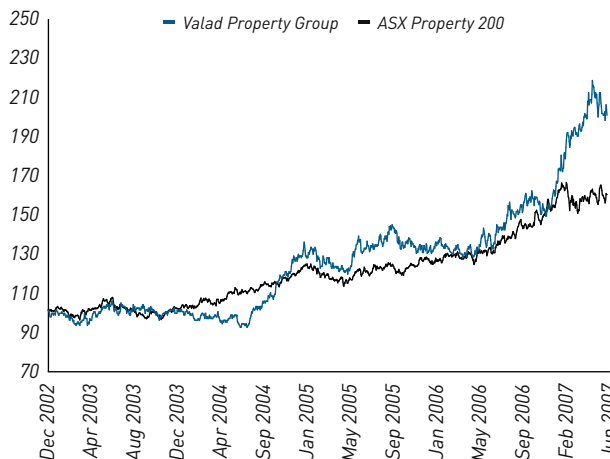
## 5.2 Valad's Performance History

Valad has a strong track record of growth and profitability and since listing in 2002 has achieved impressive results:

- AUM has grown at compound annual growth rate of 94%, with Valad now managing A\$6.6 billion in assets
- Valad's underlying annual profit growth (CAGR) has been 69%
- Valad has achieved annual DPS growth (CAGR) of 7.3%<sup>11</sup>

The strong operational performance of the Group has been reflected in Valad's security price performance which has enjoyed a sustained period of outperformance versus the S&P/ASX 200 Property Index. Since listing Valad has delivered investors an equity IRR of 26.9%<sup>12</sup>.

## 5.2.1 Share Price Performance

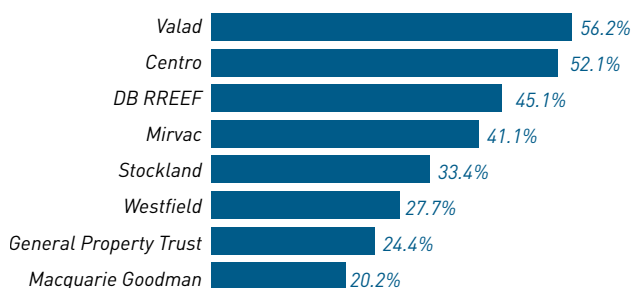


Source: IRESS

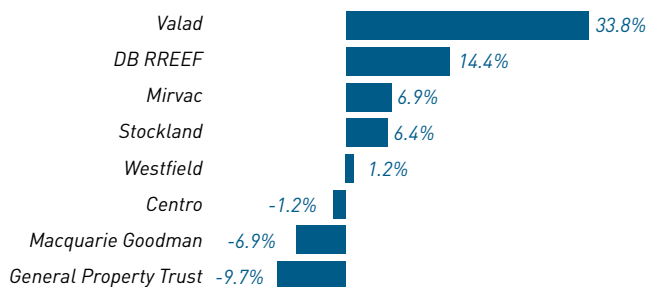
The exhibit below demonstrates how Valad has outperformed its peers<sup>13</sup> on a total return basis over the last 12 months and since 1 January 2007.

## 5.2.2 Total Return Comparison

### Total Return last 12 months (as at 22 June 2007)



### Total Return since 1 January 2007 (as at 22 June 2007)



Source: IRESS

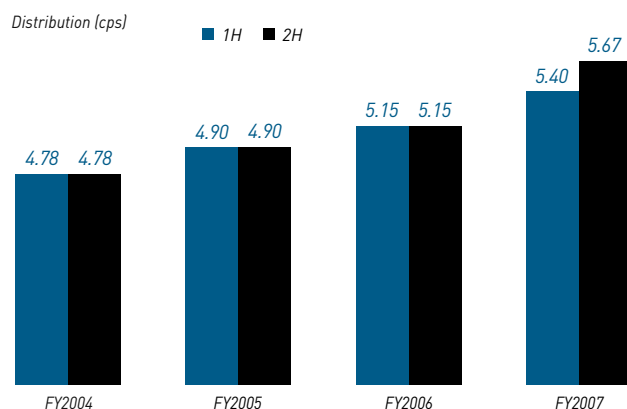
<sup>11</sup> Compound annual growth between 30 June 2003 and 30 June 2007.

<sup>12</sup> As at 22 June 2007 and assuming distribution reinvestment. Information on past performance should not be taken as an indication for future performance of Valad.

<sup>13</sup> Peers are selected listed stapled property groups in the S&P ASX 200.

Valad recorded a strong result for the half year ended December 2006 with revenue from operating activities of approximately A\$54.7 million and underlying net profit<sup>14</sup> of A\$31.2 million. This financial performance reflects solid results across Valad's portfolio of businesses in Australia. On 20 June 2007, Valad announced a final distribution of 11.07 cents per Stapled Security for FY2007, reflecting a 7.5% increase from FY2006. The Acquisition is forecast to deliver an increase to Valad's forecast FY2008E distributions per Stapled Security to 12.5 cents, resulting in a forecast increase in distribution per Stapled Security growth of 12.9% over FY2007.

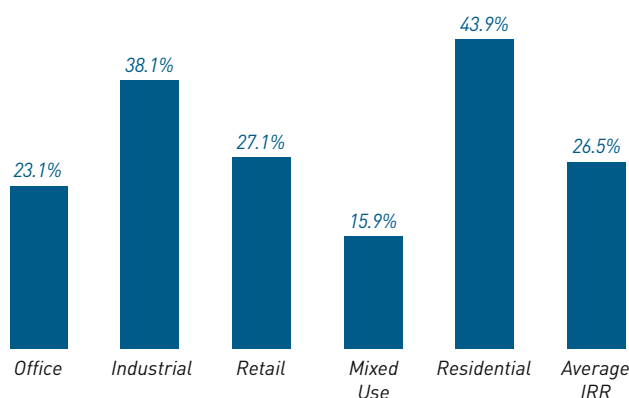
### DPS Growth



### 5.3 Valad's Property Track Record

Since inception in 1995, Valad has completed property repositioning and development projects with an end value of A\$1.3 billion. The weighted average pre-tax IRR (post fees and expenses) for all of the above activities was 26.5%. The diagram below shows the level of IRR performance achieved across different asset classification categories.

#### IRR Performance Level Achieved



<sup>14</sup> Net profit before amortisation and other non-cash adjustments.

The following important factors should be noted in relation to the past performance of Valad's projects:

- IRR is not the annual yield on equity that investors receive. It is measured over the life of an investment and includes capital growth
- IRR is generally enhanced by the use of debt financing, due to the return on equity capital being greater when combined with the use of debt
- Investment in Valad is subject to a number of risk factors including those outlined in Section 7
- The past performance of these projects is in no way an indication of the future performance of the Group or its projects

### 5.4 Valad's Strategy

On 1 February 2007, Valad announced an organisational restructure that was designed to better position the Group to implement its international business strategy. In February 2007, Valad began its expansion into Europe via a A\$290 million investment into a pan European office fund.

The Acquisition represents the "Next Step" in Valad's stated strategy to establish European and Australasian platforms for its operations and product offerings. The Acquisition fulfils Valad's identified criteria including:

- A multi-sector Pan European platform
- An experienced management team
- Vendors maintaining a strong alignment of interest with an investment in Valad and sharing a strong desire to be a part of the continued growth of the enlarged group

Valad will add to Scarborough, a strong balance sheet, a flexible and innovative business model with a constant focus on return on equity and an innovative approach to transactions. The combined Valad and Scarborough resources will leverage the Pan European platform to provide a broad range of property investment products across the risk/return spectrum.

Following the Acquisition, Valad will have significantly expanded the global platform upon which it can apply its expertise in property development and repositioning, asset and funds management.

# → 5 VALAD PROPERTY GROUP

Valad's immediate strategy is to continue to enhance return on investors' equity. Valad expects to achieve this via growth in existing funds management activities and through expanding funds management activities into new markets by:

- Utilising the Valad balance sheet to provide warehouse facilities for the combined Group's funds management business. The provision of a stronger balance sheet should allow Scarborough to access more opportunities for structuring new investment vehicles for their investor base
- Expand the Scarborough funds management business through access to the broader management capabilities of Valad, with Scarborough providing Valad penetration into local markets. Scarborough through its majority ownership in Teesland provides Valad with an established brand name in asset management and an established distribution network with a quality client list
- Expanding and diversifying by:
  - Geography
  - Sector
  - Equity sources for managed funds
  - Risk and return profiles
  - Income streams
  - Utilising the enlarged broader distribution network to establish Australian funds with UK or European real estate, as well as UK or European funds with Australian real estate

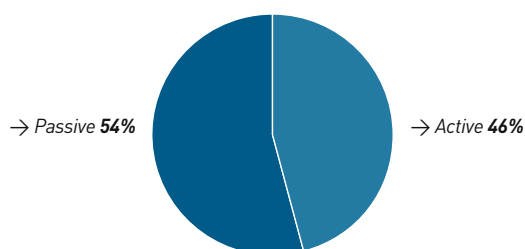
Valad plans to consider cornerstone investment positions in future Teesland managed investment funds, which will provide a substantial alignment of interest between Valad and its investor clients. In addition, Valad management anticipates that growth in the Valad Capital Services business will also deliver a strong pipeline for new funds management products.

## 5.5 Valad's Earnings Composition post Acquisition

The charts below illustrate the forecast Valad EBITDA composition for the year ending 30 June 2008 after the implementation of the Offer and the Acquisition as set out in Sections 2 and 3.

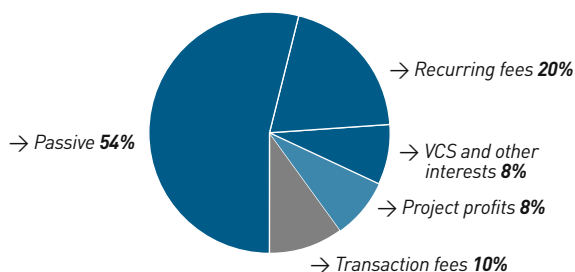
### FY2008E EBITDA Composition

- Type of Earnings - Passive/Active income



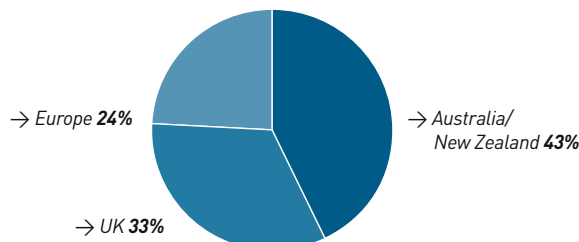
### FY2008E EBITDA Composition

- Type of Earnings - Recurring/Non-recurring



### FY2008E EBITDA Composition

- by Geography



## 5.6 Integration

Valad has developed a detailed integration plan as to how the Scarborough businesses will be merged into the broader Valad business. Integration planning has been assisted by the fact that Scarborough's businesses are complementary to Valad's existing business framework.

### Current Valad Structure

Valad currently has a clearly defined business split between its passive property ownership vehicle in VPT, and the active property development, funds management and VCS businesses in VFML.

Valad Property Trust		Valad Funds Management Limited	
Property Portfolios (Real Estate Investments)	Real Estate Development and Property Services	Funds Management	Valad Capital Services
<ul style="list-style-type: none"> <li>Property investment portfolio</li> <li>Commercial, industrial, self storage and bulky goods focus</li> <li>Properties located throughout Australia and New Zealand</li> <li>Asset management services</li> </ul>	<ul style="list-style-type: none"> <li>Undertakes redevelopment and repositioning as core activity</li> <li>Many properties owned in Joint Ventures with unlisted funds</li> <li>Property development business</li> </ul>	<ul style="list-style-type: none"> <li>Eight separate funds</li> <li>Product development and fund rollout</li> </ul>	<ul style="list-style-type: none"> <li>Corporate advisory, structure financing and capital services to third party sponsors</li> <li>Investments in Australia, NZ and Europe</li> </ul>

### Current Scarborough Structure

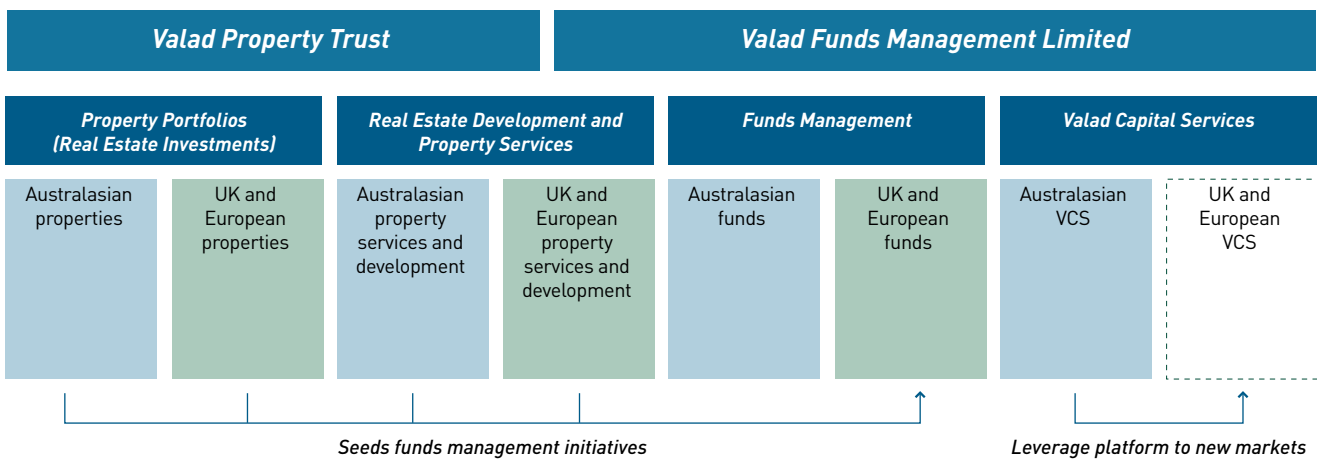
Scarborough currently operates along similar business lines to Valad, with property portfolios, a funds management platform and property services businesses.

Scarborough		
Property Portfolios	Property Services and Development	Funds Management
<ul style="list-style-type: none"> <li>UK property portfolio</li> <li>Pan-European property portfolios (SCP and SC€uro)</li> <li>Predominantly commercial, industrial and mixed use</li> </ul>	<ul style="list-style-type: none"> <li>UK property services (asset management services)</li> <li>Joint venture financing</li> <li>UK property development business</li> </ul>	<ul style="list-style-type: none"> <li>Teesland funds management business</li> <li>9 major property investment funds</li> <li>4 single investor funds</li> <li>2 joint ventures</li> <li>1 fund currently being marketed</li> </ul>

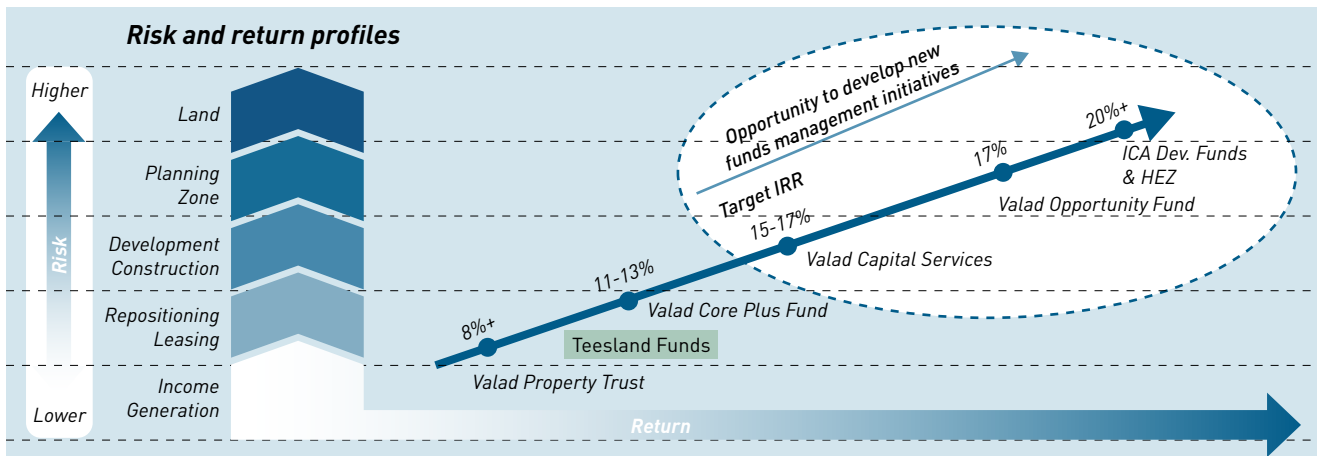
# → 5 VALAD PROPERTY GROUP

## Combined Structure

Post Acquisition the combined entity will maintain the same business division albeit across expanded geographical areas. The exhibits below demonstrates the complementary nature of the two groups and highlights the future opportunities for Valad to develop and grow new business areas based on its strengths in structured financing through a VCS like business model and to develop Opportunity funds in Europe.



## New Opportunities – Expansion and Diversification



Integration of Scarborough will include all relevant aspects of Scarborough's businesses. Valad has developed and will implement a comprehensive and detailed integration plan for the Acquisition, with the aim of ensuring a smooth transition and integration into Valad.

**Key Components of the Integration plan include:**

- **Flexible management structure:** As part of the acquisition of the Crownstone portfolio announced in February 2007, Valad implemented a flexible organisational structure that will operate across a number of different geographic regions. Following the Acquisition, Peter Hurley (Executive Director & Global Transactions) will move to the UK to oversee the integration. The newly created role of Chief Operating Officer, held by Jeff Locke, will be based in Sydney and will manage Valad's Australasian businesses and provide a centralised contact point for the various regional offices
- **Incentivising Scarborough employees:**
  - Key Scarborough management have volunteered to be contractually and financially incentivised to stay committed to the enlarged Group. Part of the consideration for these executives is being reinvested in Valad Securities, which provides a strong alignment of interest with Securityholders
  - It will be strongly promoted that ideas and resources are shared between Scarborough and Valad, with the possibility of encouraging staff to relocate within the Group
- **Extensive staff communications:** From the announcement of the Acquisition and continuing afterwards, an intensive program of staff communications will be undertaken
- **Systems integration:** A plan is in place and preparations have commenced for the integration of existing IT and accounting systems following the Acquisition. A specialist integrations management team has been appointed to oversee this process

→ 6 MANAGEMENT

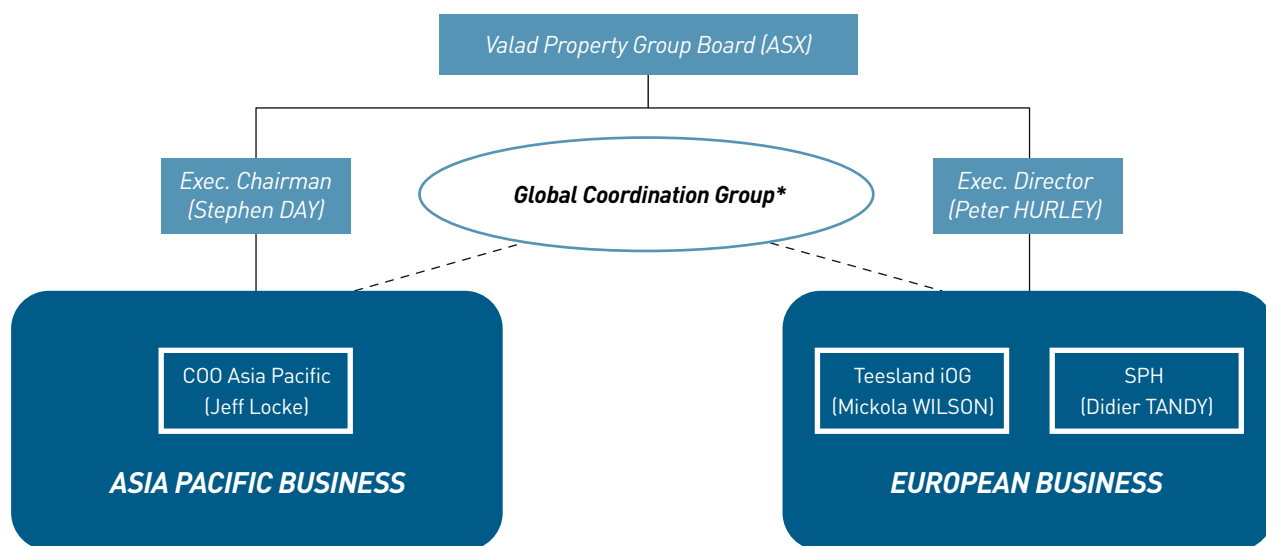
6

Valad believes that a key driver of the Group’s success to date has been its people and its culture. Valad employees are selected for their expertise and their motivation to outperform in their roles and maximise returns to investors. One of the attractions of the Acquisition to Valad is the substantial real estate and funds management experience of the Scarborough team. It is anticipated that the enlarged management teams with different geographic experience and contacts will provide significant opportunities to the combined businesses.

The executive management team at Scarborough have a significant amount of experience in the UK and European real estate market with experience in funds management, asset management and property development. As detailed in the integration plans for the combined Group (Section 5) the majority of the key Scarborough executives are remaining with the business post Acquisition.

Profiles of key members of the Scarborough executive team are detailed below.

**Valad Organisational Structure Post Acquisition**



**\*The Global Coordination Group comprises:**  
 Stephen Day, Peter Hurley, Jennifer Lambert, Stephen McBride & Jeff Locke  
**Is responsible for:**  
 global financial reporting (ASX etc) & capital allocation to regions

## 6.1 Scarborough Executive Team

NAME	POSITION
<b>Kevin McCabe</b> Chairman and Chief Executive	<p>→ In 1980 Kevin founded Scarborough Property Group plc, the holding company for his property activities and has been its Chairman since inception. Kevin has over 40 years' experience in the construction and property industry. Kevin has had a long and successful association with HBOS through various corporations and transactions since the 1970s</p> <p>→ Kevin is also Chairman of Frasers Property (UK) Ltd, in turn the parent company of FairBriar Holdings Limited, a previously listed residential development company, Chairman of Scarborough Group Limited and Chairman of Sheffield United plc. He also sits on the board of certain subsidiary companies of HBOS</p> <p>→ Kevin commenced his career in 1964 initially with a construction and property company that became part of the Bovis Group. Kevin then joined the original Teesland Development Co Ltd in the early 1970s and become a director before leaving to start his own company in the mid 1970s</p>
<b>Didier Tandy</b> Managing Director	<p>→ Didier is the Managing Director of Scarborough's property investment and development business and has been with the company since August 2000</p> <p>→ Prior to this he was a director of Hemingway Properties plc where he was responsible for acquisitions, asset management and sales</p> <p>→ Didier has over 25 years' experience in property development and investment trading</p> <p>→ Didier has a Degree in Mathematics and Statistics from London University (Royal Holloway College)</p>
<b>Stephen McBride</b> Executive Director, Development and Corporate	<p>→ Stephen is the principal Finance Executive of Scarborough and Teesland. Stephen's principal areas of responsibility are initiating and managing corporate transactions, procuring finance and control and financial integrity of the Scarborough Group</p> <p>→ Stephen is a Fellow Chartered Certified Accountant</p>
<b>Cesidio Di Ciacca</b> Director Legal and Corporate	<p>→ Cesidio has had an association with Scarborough for over 25 years</p> <p>→ In his current role, Cesidio's responsibilities involve developing strategy, supporting executives in the structuring and negotiation of larger transactions, and maintaining the relationship with the group's major partner</p> <p>→ Cesidio is a qualified Solicitor and has a Bachelor of Law (Honours) from Edinburgh University</p>
<b>Andrew Richardson</b> Director, Edinburgh	<p>→ Andrew joined Scarborough in February 2005 and manages Scarborough's property services and development operations in Scotland and is a Director of SDG</p> <p>→ Prior to joining Scarborough, Andrew was a partner at Montagu Evans and Ryden Property Consultants</p> <p>→ Andrew has over 17 years' experience in the real estate and property development industries</p>
<b>David Wells</b> Director, Leeds	<p>→ David joined Scarborough in 1999 as a development manager focused on the North of England. His role includes site acquisition, development strategy, letting and sale of the completed projects</p> <p>→ David has 20 years' experience in the real estate and property development industry having previously worked at Nicholas Robinson &amp; Partners and Donaldsons</p>

## 6.2 Teesland Key Management

NAME	POSITION
<b>Mickola Wilson</b> CEO	<p>→ Mickola joined Teesland in November 2002 from MWB Group where she was Head of Funds Management. Prior to this Mickola was managing director of Guardian Properties where she was responsible for funds of over £1 billion</p> <p>→ Mickola has over 25 years' experience in the property funds management industry</p>
<b>Paul Oliver</b> CIO UK	<p>→ Paul was a founder of Equity Partnerships Ltd, a fund management company acquired by Teesland</p> <p>→ Prior to this Paul spent 13 years as a development executive at GRE Properties and 5 years as Managing Director of Dusco UK</p> <p>→ Paul has extensive experience in the establishment of property investment funds including the Lend Lease 'Bluewater' Fund</p>
<b>Marcus Shepherd</b> Group Financial Director	<p>→ Marcus joined Industrial Ownership Limited (iOG) in 1993 and was appointed in 2000 to oversee financial reporting and fund structuring</p> <p>→ Marcus was appointed Group Finance Director of Teesland in October 2005</p>
<b>David Seddon</b> CIO Europe	<p>→ David Seddon was an International Director at Jones Lang LaSalle. In 1991 he was a founding partner of their European Business Team, specialising in investment advisory services to cross-border investors in Continental Europe</p> <p>→ In 2005 David joined the Teesland iOG Group as a Director of Teesland, with responsibility for European funds management and growing Teesland iOG's European funds management platform</p>

## 6.3 Valad Board of Directors

As at the date of this Offer Document, the Board of Valad comprises the following:

NAME	POSITION
<b>Stephen Day</b> Executive Chairman	<ul style="list-style-type: none"> <li>→ Stephen was an Executive Director of Valad since founding the organisation in 1995, until assuming the role of Executive Chairman in 2004</li> <li>→ Between 1985 to 1995 Stephen was at Lend Lease where he was responsible for the development and management of commercial, industrial and residential projects in various Australian capital cities</li> <li>→ Stephen was also based in Europe in order to establish a research based acquisition strategy for Lend Lease's global funds management business</li> <li>→ Stephen has a Degree in Economics and Accountancy from Macquarie University</li> </ul>
<b>Peter Hurley</b> Executive Director & Global Transactions	<ul style="list-style-type: none"> <li>→ Peter has been an Executive Director of Valad since 1997. He held the position of Joint Managing Director until 2004, and Managing Director until 2006</li> <li>→ Between 1988 and 1997, Peter was at Lend Lease where he acted as the investment manager to a number of Lend Lease property investment funds. Immediately prior to joining Valad, Peter was based in Singapore as the investment adviser to Lend Lease's Asia Pacific Investment Company. Peter also spent three years in Paris and London where he was investment manager responsible for the acquisition and management of Lend Lease's European retail portfolio</li> <li>→ Peter has an Honours Degree in Civil Engineering from The University of New South Wales</li> </ul>
<b>Trevor Gerber</b> Independent Non-Executive Deputy Chairman	<ul style="list-style-type: none"> <li>→ Trevor was with Westfield Holdings Limited for 14 years, until 1999, as Group Treasurer and subsequently as Director of Funds Management responsible for the listed property trusts, Westfield Trust and Westfield America Trust</li> <li>→ Trevor is a Director of Everest Babcock &amp; Brown Alternative Investments, Macquarie Airports Group, and Macquarie ProLogis Trust</li> <li>→ Trevor joined the Valad board in December 2002</li> <li>→ Trevor has a Degree in Accounting from the University of Witwatersrand, South Africa and is a Chartered Accountant</li> </ul>
<b>Andrew Martin</b> Independent Non-Executive Director	<ul style="list-style-type: none"> <li>→ Andrew has over 30 years' experience in the property industry including working in the UK and Indonesian property markets and extensive work with a number of Japan's major real estate investors, banks, institutions and developers</li> <li>→ Andrew spent 23 years with Jones Lang LaSalle, including in the role of Managing Director of Jones Lang LaSalle Advisory. Prior to retiring from Jones Lang LaSalle, Andrew was an International Director in their Capital Markets Group</li> <li>→ Andrew has a Bachelor of Arts from the University of New South Wales, is a Fellow of the Royal Institution of Chartered Surveyors and a Fellow of the Australian Property Institute</li> </ul>
<b>Robert Seidler</b> Independent Non-Executive Director	<ul style="list-style-type: none"> <li>→ Robert Seidler is a partner of Blake Dawson Waldron lawyers, whom he joined after The Seidler Law Firm merged with Blake Dawson Waldron in 2004.</li> <li>→ Prior to establishing The Seidler Law Firm, Robert was the managing partner of Coudert Brothers in both Sydney and Tokyo</li> <li>→ Robert is a member of the Investment Review Board of Australian Prime Property Fund, a member of the Australian Government's Corporations and Markets Advisory Committee, an alternate director of Leighton Holdings Limited and chairman of Hunter Phillip Japan Limited. His previous directorships include Mitsubishi Bank of Australia Limited and The Nikko Securities Australia Limited</li> </ul>

## 6.4 Valad Property Group Senior Management

NAME	POSITION
<b>Jeff Locke</b> Chief Operating Officer	<ul style="list-style-type: none"> <li>→ Over the past 20 years, Jeff has gained broad exposure to local and international property markets across a diversity of transaction roles, management positions, projects and participants</li> <li>→ Jeff has held senior finance and management positions with domestic and international property development and construction groups, investment banks and property advisory and structuring firms</li> <li>→ At Valad, Jeff leads the Asia Pacific management team and is responsible for all business and management support operations</li> <li>→ Jeff is a Chartered Accountant</li> </ul>
<b>Jennifer Lambert</b> Chief Financial Officer	<ul style="list-style-type: none"> <li>→ Jennifer has been a key member of the Valad executive management team since her appointment as CFO in early 2003</li> <li>→ In her capacity as CFO, Jennifer is responsible for the structuring and financial management of corporate transactions, the Group's foreign currency and interest rate management strategies, as well as overseeing Valad's budgeting and financial reporting</li> <li>→ Jennifer was previously a Director at PricewaterhouseCoopers, where she worked in the Transaction Services division specialising in the property sector and working on capital raisings, structuring and due diligence on acquisitions. Prior to this, Jennifer worked in PricewaterhouseCoopers' Audit and Business Advisory Services division where she was involved with a number of major Australian listed companies</li> <li>→ Jennifer is also currently a Director of Mission Australia</li> <li>→ Jennifer has a Master of Economics Degree from Macquarie University and a Bachelor of Business Degree from the University of Technology Sydney. Jennifer is a Chartered Accountant</li> </ul>
<b>Chris Carroll</b> General Counsel	<ul style="list-style-type: none"> <li>→ Chris has held senior legal and management positions at Lend Lease in Australia and Asia and prior to joining Valad, Chris was employed at Principal Global Investors, where he was largely responsible for the acquisition of the management rights to the Lend Lease US Office Trust and the sale of Principal's hotel portfolio</li> <li>→ Chris has extensive experience in large property transactions, mergers and acquisitions as well as general management</li> </ul>
<b>Paul Notaras</b> Head of Funds Management and Capital Services	<ul style="list-style-type: none"> <li>→ Paul brings over 19 years' experience as a senior executive in property investment, finance and funds management</li> <li>→ At Valad, Paul is responsible for the Group's Funds Management and third party joint venture business</li> <li>→ Prior to joining Valad, Paul was a Director and Principal of ICA Property Group (acquired by Valad in July 2004) where he was responsible for the establishment and growth of the ICA Property Development Funds platform. Paul was also a key executive in the establishment of GE Capital Real Estate (a subsidiary of the General Electric Company of the USA) in Australia in early 1997, becoming the Managing Director for Australia, a position he held until joining ICA Property Group</li> <li>→ Paul has a Degree in Economics and Accountancy from Macquarie University</li> </ul>

# → 6 MANAGEMENT

<i>NAME</i>	<i>POSITION</i>
<b>Martyn McCarthy</b> Head of Real Estate Investments	<ul style="list-style-type: none"><li>→ Martyn is responsible for Valad's acquisition, management and divestment team for Commercial Real Estate Investments. Since joining Valad in 2003, Martyn has sourced, acquired and disposed of in excess of A\$2 billion worth of commercial, industrial and retail investments including the acquisition of Millers Self Storage properties worth over A\$250 million</li><li>→ Prior to Valad, Martyn was employed for six years at GE Real Estate, where he was responsible for sourcing acquisitions, establishing joint ventures and arranging structured finance for commercial, industrial, retail and residential property, with particular focus on value-adding opportunities. In this role, he was involved in transactions in Australia and New Zealand with a value exceeding A\$1.5 billion. Prior to joining GE, he worked in commercial real estate agency and valuation practices</li><li>→ Martyn has a Land Economics Degree from the University of Western Sydney</li></ul>
<b>Shaun Hannah</b> Head of Real Estate Developments	<ul style="list-style-type: none"><li>→ Shaun has 20 years' experience in the property industry with considerable expertise in industrial, office and bulky/service retail development. Shaun was a Director and Principal of ICA Property Group from 1992 where he was responsible for sourcing and executing the group's development projects</li><li>→ With Valad's acquisition of ICA Property Group in 2004, Shaun is now responsible for the same role within Valad</li><li>→ Shaun is a member of various professional institutions, including being a Fellow of the Australian Property Institute and a Founding Member of the Property Council of Australia Industrial Committee</li></ul>

→ **7 RISK FACTORS**

# → 7 RISK FACTORS

There are a number of factors, both specific to Valad and of a general nature, which may affect the operating and financial performance of Valad, its investment returns and the value of Stapled Securities. Investors should consider the risks set out below and other general risks of investing in light of their personal circumstances, and seek advice from their stockbroker or other professional adviser. The risk factors include, but are not limited to, the following:

## 7.1 Risks Relating to the Acquisition

### *Changes in the Scale and Location of Valad's Operations*

The Acquisition will substantially increase the size and range of Valad's business, including the introduction of operations in new geographic locations. The integration of two businesses may present challenges in integration, retention of key personnel and overall management and control. Certain employees of the Scarborough and Teesland businesses have volunteered to take incentives to remain with Scarborough because of their key roles. In some cases one or more employees are nominated as key personnel in relation to funds management mandates.

### *Funds Management Business*

Many of the funds managed by Teesland have a specific life of 20 years or less, with a majority due to expire in four to eight years (see Section 3). This means that it will be important to the continued success of the Teesland business and the performance of Valad that new funds are established. The ability to establish new funds will depend on the availability of suitable assets, and the general market for collective investments in the UK and Europe. The continued growth of the business is not guaranteed.

Other risks of the Teesland funds management operations include:

- In many cases, a fee structure that results in performance fees only being payable at the end of a fund's life
- Possible liability to fund investors if claims are made in future based on past capital raising or funds management activities.

### *New Assets and Due Diligence*

Valad is acquiring the Scarborough entities that own properties, and conduct development, funds management and asset management operations. The Group has undertaken property, legal, financial and tax due diligence in respect of the Acquisition. In addition, the sale and purchase agreement pursuant to which Scarborough is being acquired contains some warranties and indemnities in favour of the purchaser. The sale and purchase agreement is summarised in Section 10. However, it is possible that potential risks were not uncovered as part of due diligence, or that risks cannot be

fully mitigated by the warranties and indemnities in the sale and purchase agreement. If an unforeseen liability arises in respect of the Acquisition, for which the purchaser is not able to be indemnified, this may adversely impact upon the Group.

There are risks that the value of some property assets may be less than assumed because of:

- Inability to obtain full information regarding title or encumbrances on particular properties for various reasons
- Limits on available information regarding the funds managed by Teesland due to the requirement that Scarborough may not be given more information than other shareholders in Teesland

There are also risks in relation to the warranties provided by the Vendors (see section 10.1) that:

- There is a cap on the total value of the warranties of £115 million
- The warranties would cease to apply if there is a change of control of Valad

Some of the assets to be acquired are part interests (generally 50/50) in joint ventures. Pre-emptive provisions and rights of first refusal may apply to such properties, and co-owners may have conflicting interests or wishes that affect decision making about a property.

### *Currency Risk*

Approximately 57% of Valad's future income will be sourced from countries outside Australia. This will increase Securityholders' exposure to the risk of fluctuations in the relative value of the Australian dollar against other currencies. Post the acquisition of Scarborough by Valad, a substantial portion of the Group's underlying assets, liabilities and income will be denominated in British pounds and Euros. Foreign currency movements between the Australian dollar and British pounds, the Euro and other European currencies may impact returns to investors. The Australian dollar has been subject to fluctuation against the British pounds, the Euro and other European currencies in the past and may be subject to fluctuations in the future. While the foreign exchange hedging strategy of the Group is designed to partially insulate Securityholders against movements in exchange rates, it does not remove entirely the potential impact of foreign exchange movements on Securityholder returns. With respect to foreign exchange hedging of expected distributions, it is not always possible to align perfectly the amount or timing of hedging with the risk to be hedged. Despite the hedging policy of the Group, over time the value of Australian dollar distributions made by the Group may reflect general trends in exchange rate movements for all amounts unhedged and for where there is a mismatch in the timing of the hedge.

The Group will manage its exposure to any foreign exchange on both its balance sheet and income statements by minimising its net exposure after taking into account:

- Opportunities to borrow funds denominated in the foreign currency of the underlying asset
- Other operations and cashflow requirements in the same currency
- Level of certainty around the quantum of, and/or timing of the return on the net exposure.

Where there is a remaining net exposure to a currency and the volatility in this currency is likely to have a short term (0-3 years) impact on the Group's income statement and cashflows, then further reductions in the exposure will be effected through normal currency derivatives but there is not intended to be any general hedging of capital.

If any foreign exchange restrictions or controls were to be introduced for transactions with respect to the Australian dollar, Sterling, Euro or other European currencies, the restriction may adversely affect the Group.

#### ***Borrowing Risk***

In relation to Valad's borrowings, changes in short and long term interest rates and the availability of credit and bank guarantees may have an effect on the earnings of Valad and the overall demand for, and the value of, the Group's assets.

#### ***Underwriting of the Offer***

The structure of the Offer (see Section 2.2) means that there will be a period of over two weeks between the allotment of New Securities to Institutional Securityholders and the Final Allotment. If an event, such as a dramatic fall in stock markets, occurs during that period the Underwriters may be able to terminate their obligations under the Underwriting Agreement. In that case, there will be an increase in the amount of debt used to complete the Acquisition. Any such additional debt would increase the borrowing risk for Valad (see above).

#### ***Taxation***

Valad consists of an Australian company and an Australian trust in a stapled arrangement. Stapled arrangements are now common, with many listed securities being in stapled form. However any changes in the tax laws affecting staples, or changes to the administration of current laws which affect stapled arrangements or the characterisation of transactions involving stapled entities, could adversely affect the interests of Securityholders.

Following the acquisition of Scarborough, Valad will have interests in entities in the UK as well as a number of other European countries. Accordingly the interests of

Securityholders could be adversely affected by changes to tax laws affecting entities in or income from the UK or any of these other European countries or to changes to tax laws affecting any of the cross-border arrangements between Australia, UK and those countries.

The Australian taxation system has recently undergone significant change, and in particular changes referred to as the reform of international tax arrangements. These reforms are continuing and the precise meaning of much of the new legislation is unclear and untested. Accordingly there is a level of uncertainty as to the interpretation and application of the legislation to some aspects of Valad's proposed interest in Scarborough. Tax reform is also a feature of many European countries at the present time, for example Germany's tax system is going through significant change this year. This introduces potential uncertainty as to how tax in those countries will apply to Valad's interests.

Many of the income flows between entities within the Valad and Scarborough structure would be subject to arm's length tests under Australian, UK or other jurisdiction tax laws. While arm's length principles have been applied to all these flows, such matters are necessarily subjective judgements and accordingly might be subject to review and/or be challenged by Australian tax authorities, UK tax authorities or other jurisdiction tax authorities, in which case Securityholders interests could be affected.

### ***7.2 No Capital or Income Guarantee***

Neither Valad nor any other person gives any guarantee as to the amount of income or capital return from the New Securities or the performance of the Group, nor do they guarantee the repayment of capital from the Group.

Security prices on ASX may fall as well as rise.

### ***7.3 Development Risks***

To the extent that the Group develops any of its existing assets, assets acquired as a result of the Acquisition or future assets acquired by the Group, the Group may be exposed to factors outside of its control that may lead to the proposed development being delayed, and/or incurring losses, which may affect the Group's ability to pay distributions.

If the Group or a controlled entity delays or fails to complete a development contract, the Group may be liable for damages.

It is possible that the intended use for a development project may not receive an acceptable development consent from the relevant authority. It is possible that additional land required for the proposed development scheme to proceed may not be able to be acquired.

# → 7 RISK FACTORS

## **7.4 Risks of Property as an Asset Class**

### ***Changes in Property Markets***

Changes to any of the property markets in which the Group currently or in the future holds assets, may affect the value of the assets that comprise Valad's portfolio, which could, in turn, affect the performance of Valad.

Factors that may influence the value of Valad's assets include the ability to procure tenants (including timing and rental paid), demand for property from investors, expenses in operating, refurbishing and maintaining properties and timing of receiving sale proceeds. In addition, the supply of competing existing or new buildings may affect the ability to secure lease renewals, retain existing tenants or obtain new tenants.

### ***Property Leasing by Valad Property Group***

There is a possibility that tenants may default on their rental or other obligations under leases with Valad, leading to capital losses or a reduction in income to Valad.

In addition, there is a risk that if Valad is not able to negotiate lease extensions with existing tenants at the end of lease terms, or replace the leases on expiry with leases at equivalent rates, there may be a significant impact on the distributable income of the Group and the value of that particular property. The ability of Valad to secure lease renewals, to obtain replacement tenants or to sub-let lease liabilities assumed in development activities may also be influenced by any leasing incentives granted to prospective tenants and the increased supply of new commercial buildings, which, in turn, may increase the time required to let vacant space.

### ***Changing Investor Demand for Property Investments***

The demand for property as an asset class changes over time and can be influenced by general economic factors such as interest rates and stock market cycles. The demand for property, unlisted property funds, and listed property securities, to which Valad has an exposure, may change as investor preferences for particular sectors and asset classes change, and this could impact the distributable income of the Group through a reduction in fee based management income.

### ***Liquidity Risk***

Valad invests in assets that are not listed on a stock exchange or for which there are only a limited number of potential investors. As a consequence, the realisable value of an asset may be less than its expected value.

## **7.5 General Economic Factors**

### ***Changes in Economic, Financial and Insurance Market Conditions***

Movements in Australian and international stock markets, changes in interest rates, inflation and inflationary expectations and overall economic and political conditions may affect the demand for, and price of, the Stapled Securities. Investors should be aware that there are risks associated with any investment in securities and that the prices of securities can go down as well as up.

Valad operates in the property sector. Economic conditions, including employment and immigration levels, may adversely affect the level of construction activities, development opportunities and profitability as well as property prices and rental returns.

Valad carries material damage and liability insurance on its properties with policy specifications and insured limits that it believes are customarily carried for similar properties. However, potential losses of a catastrophic nature such as those arising from floods, earthquakes, terrorism or other similar catastrophic events may be either uninsurable, or, in Valad's judgment, not insurable on a financially reasonable basis, or may not be insured at full replacement cost or may be subject to larger excesses.

Valad is a consumer of a variety of insurance products and to the extent that changes in market conditions lead to increases in the pricing or availability of these insurance products, then this may affect the profitability of Valad.

### ***Changes in Government Legislation or Taxation Policies***

Changes in government legislation and policy in those jurisdictions in which Valad operates, in particular changes to taxation laws, may affect the future earnings, asset values and the relative attractiveness of investing in the New Securities. In addition, an investment in the New Securities may involve tax considerations that may differ for each Securityholder. Each prospective Securityholder is encouraged to seek professional tax advice in connection with any investment in the New Securities.

## **7.6 Other Potential Risks**

Other risks that may arise in relation to Valad include, but are not limited to:

- Unforeseen capital expenditure requirements that would increase Valad's funding costs
- Unforeseen environmental issues which may affect any of Valad's assets or projects
- Valad's expenses being greater or revenues being less than anticipated, reducing the amount available for distributions
- That any of the assumptions used in the Financial Forecasts may not be achieved such that the forecast distributions cannot be achieved
- Industrial action may arise from occupational health and safety issues, which may give rise to penalties, prosecutions and compensation claims
- That third parties, such as tenants, developers and counterparties to derivatives and other contracts may not be willing or able to perform their obligations to Valad.

→ **8 FEES AND OTHER COSTS**

8

### Consumer advisory warning

The format of this section is prescribed by the Corporations Regulations. It is a requirement of these regulations to include the following Consumer Advice Warning in product disclosure statements. This is a standard statement and is not specific to this Offer Document.

#### Did you know?

Small differences in both investment performances and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

#### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

## 8.1 Fees and Other Costs

This Section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Trust as a whole.

Information about tax is set out in the Appendices.

You should read all of the information about fees and costs because it is important to understand the impact on your investment.

<i>TYPE OF FEE OR COST</i>	<i>AMOUNT<sup>1</sup></i>	<i>HOW AND WHEN PAID</i>
<b><i>Fees when your money moves in or out of the fund</i></b>		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Termination fee</i> The fee to close your investment	Nil	Not applicable

# → 8 FEES AND OTHER COSTS

TYPE OF FEE OR COST	AMOUNT <sup>1</sup>	HOW AND WHEN PAID
<b>Management costs</b>		
The fees and costs for managing your investment		
Ongoing expenses	No management fees are charged to the Trust  Expenses of the Trust are estimated at 0.50% per annum of the net asset value of the Trust <sup>2</sup> , e.g. \$147 for every \$50,000 invested in Securities  Actual expenses may be higher than the estimate	Payable from the assets of the Trust to third parties or to reimburse the Responsible Entity of the Trust, as incurred
Offer costs <sup>3</sup>	Estimated at A\$55 million, e.g. \$988 for every \$50,000 invested in Securities	Payable from the proceeds of the Offer to the Lead Manager and Underwriters, and other external service providers

## Service fees

<i>Investment switching fee</i>	Nil	Not applicable
The fee for changing investment options		

<sup>1</sup> Including GST less any reduced input tax credits, as applicable.

<sup>2</sup> Total management expenses for the Trust are estimated at A\$8.1 million per annum.

<sup>3</sup> This figure includes amounts payable to advisers. See Section 8.3(d).

## 8.2 Example of Annual Fees and Costs

The table below gives an example of how the fees and costs in relation to the Trust can affect your investment over a one year period. You should use this table to compare this product with other managed investment products. All amounts are GST inclusive net of any reduced input tax credits.

### First year after the issue of New Securities

TYPE OF FEE OR COST	BALANCE OF A\$50,000 DURING YEAR
Contribution Fees	Nil
<b>PLUS</b> Management Costs	For every A\$50,000 you have in Securities you will be charged the following amounts in the first year:
Expenses of the fund	A\$147
Offer costs	A\$988
<b>EQUALS</b> Cost of fund	If you had an investment of A\$50,000 at the beginning of the year, you would be charged fees of A\$1,135

### **Second year after the issue of New Securities**

<i>TYPE OF FEE OR COST</i>	<i>BALANCE OF A\$50,000 DURING YEAR</i>
Contribution Fees	Nil
<b>PLUS</b> Management Costs	For every A\$50,000 you have in Securities you will be charged the following amounts in the second year:
Expenses of the fund	A\$147
<b>EQUALS</b> Cost of fund	If you had an investment of A\$50,000 at the beginning of the year, you would be charged fees of A\$147

### **8.3 Additional Explanation of Fees and Costs**

#### **(a) Management fee**

Under the Trust Constitution, the Responsible Entity for the Trust is entitled to a management fee equal to the Responsible Entity's reasonable estimate of costs in providing its services as responsible entity for which it is not otherwise reimbursed. This includes overheads incurred by the Responsible Entity or paid to Valad Group companies.

#### **(b) No management fees paid outside the Valad Property Group**

The Trust is internally managed by Valad. No fees for managing the Trust are paid to entities outside the Group.

#### **(c) Reimbursement of expenses**

All expenses properly incurred by the Responsible Entity in connection with the Trust are payable or reimbursable out of the assets of the Trust to the extent the Trust Constitution allows. This includes Underwriters' fees, establishing the acquisition structure, acquiring the properties and work on due diligence and the costs of producing this Offer Document. It also includes routine ongoing expenses such as registry, listing, audit, insurance, marketing compliance costs and other expenses.

#### **(d) Adviser remuneration**

A handling fee of 1.1% (including GST) of the value of Application Monies will be paid by the Underwriters to participating organisations of ASX and appropriately licensed financial advisers for New Securities allotted pursuant to Application Forms which are stamped or otherwise attributable to that entity. No handling fee will be payable on New Securities allocated under the Institutional Offer. The Underwriters may also pay sub-underwriters and financial advisers certain other amounts from their fees. None of these payments are an additional cost to applicants.

#### **(e) Changes to fees**

In addition to the reimbursement of expenses referred to in paragraphs (a) and (c) above, the Responsible Entity is also entitled under the Trust Constitution to application and acquisition fees (see Section 11.1), but the Responsible Entity does not currently intend to charge either of those fees. If it did decide to charge all or part of them in the future, at least 30 days' notice would be given of the change.

→ 9 SUMMARY FINANCIAL  
INFORMATION



## 9.1 Introduction

This Section sets out the following financial information (referred to collectively as the "Forecasts") incorporating the financial impacts on Valad of the Offer and Acquisition:

- sources and application of funds (Section 9.2)
- forecast consolidated income statement (abridged statutory report format) for the year ending 30 June 2008 (Section 9.3)
- pro-forma balance sheet as at completion of the Offer and Acquisition (Section 9.5)

The Forecasts should be read in conjunction with:

- forecast consolidated income statement (by business line) for the year ending 30 June 2008 (Section 9.4)
- the key assumptions underlying the forecasts and the pro-forma transactions (Section 9.6)
- the significant accounting policies (Section 9.7)
- sensitivity analysis (Section 9.8)
- the risk factors (Section 7)

The Forecasts have been prepared using all relevant available information and best estimate assumptions regarding the future financial performance of the Group. While Valad considers the information and assumptions used in preparing the Forecasts to be appropriate and reasonable at the time of preparation, some factors which may affect results are outside the control of Valad or may not be capable of being foreseen or accurately predicted.

Accordingly, actual results may vary materially from the Forecasts. Investors are advised to review the assumptions and Forecasts and make their own independent assessment of the future performance and prospects of the Group.

The Forecasts have been reviewed by PricewaterhouseCoopers Securities Ltd which has prepared the Investigating Accountant's Report (Appendix B). PricewaterhouseCoopers has prepared a report on Australian taxation implications (Appendix A).

It is not possible to guarantee the future performance of the Group.

The sensitivities in Section 9.8 are based on reasonable upside and downside scenarios and not maximum possible adverse movements. In addition to the sensitivities, there are many other events that would have a material effect on Valad's ability to meet the forecast distributions or maintain them in further years. Section 7 sets out many of the risks.

The financial information in this Section is presented in an abbreviated form and does not contain all of the disclosure that would be required in an annual report prepared in accordance with the Corporations Act. The Forecasts do not include any Valad historical financial information, as this is publicly available information.

## 9.2 Sources and Application of Funds

The table below summarises how Offer proceeds will be utilised.

<i>SOURCES OF FUNDS</i>	<i>A\$M</i>	<i>APPLICATIONS OF FUNDS</i>	<i>A\$M</i>
Equity (under this Offer)	1,192.6	Acquisition of Scarborough	667.2
		Repayment of Debt	470.4
		Transaction costs	55.0
<b>Total Sources</b>	<b>1,192.6</b>	<b>Total Applications</b>	<b>1,192.6</b>

Notes:

- 1 Assumes Application Price of A\$1.92 and no Placement
- 2 Deferred consideration of A\$225.3 million (€95 million) is excluded from the above table
- 3 The Acquisition of Scarborough includes the purchase price for the equity in the business and repayment of debt expiring at completion

# → 9 SUMMARY FINANCIAL INFORMATION

## 9.3 Forecast Consolidated Income Statement – Abridged Statutory Report Format

PRO-FORMA INCOME STATEMENT IN ABRIDGED STATUTORY REPORT FORMAT	VALAD WITHOUT THE OFFER AND ACQUISITION	VALAD WITH THE OFFER AND ACQUISITION
	FY2008 A\$M	FY2008 A\$M
Revenue <sup>1</sup>	154.5	320.9
Other income	–	14.4
Net gain/(loss) from fair value adjustments on investment property <sup>2</sup>	–	–
Operating expenses	(20.7)	(112.3)
Finance Expenses	(47.9)	(73.5)
Write off of acquisition costs for investment properties <sup>3</sup>	–	(6.6)
Depreciation expense	(1.7)	(3.5)
Amortisation expense	(5.5)	(21.4)
Share of net profits of associates accounted for using the equity method	19.7	42.6
<b>Profit before income tax expense</b>	<b>98.4</b>	<b>160.6</b>
Income tax expense	(5.0)	(8.4)
Minority interest	–	(10.7)
<b>Profit attributable to the stapled security holders of Valad Property Group</b>	<b>93.4</b>	<b>141.5</b>
<i>Adjust for AIFRS non cash based items</i>		
Amortisation of intangibles		20.0
Amortisation of lease incentives		1.4
Implied finance charge on deferred purchase consideration		11.8
Write off of acquisition costs for investment properties		6.6
<b>Available for distribution<sup>4</sup></b>		<b>181.3</b>
<b>Available for distribution per Valad Security – cents</b>		<b>12.5</b>
<i>Valad Forecast distributions</i>		
Distribution from Valad Property Trust		181.1
Dividend from Valad Funds Management Limited		–
Total distributions paid/payable (A\$ million)		181.1
Distributions/dividends paid/payable (cents/security)		12.5 <sup>5</sup>

Notes:

- Includes rental income of which A\$6.0 million is subject to rental guarantees (refer to Section 9.6)
- The forecast earnings do not include future valuations of investment property or movements in the values of derivatives as the Directors do not believe there is any reasonable basis to make forecasts in relation to future capitalisation rates, property yields or general market conditions, all of which are outside their control. For these reasons the Directors are unable to accurately quantify the impact on the Forecasts of these matters, reflecting in particular any potential change in property values. While the application of AIFRS may introduce volatility into the Forecasts this will not affect cash flows and hence distributions paid to Security holders
- The write down of investment property following the Acquisition represents the write off of stamp duty
- Net Profit after Tax and before amortisation and other non cash items, with the exception of UK transfer taxes in relation to the Acquisition which are fully funded and one-off in nature.
- The distributions are based on a payout ratio of 99.9% of earnings available for distribution. Distributions may include a capital component.

## 9.4 Forecast Consolidated Income Statement – by Business Line

The forecast consolidated income statement set out in Section 9.3 is presented in accordance with the recognition and measurement principles required by AIFRS. Valad also manages its financial reporting against business lines and has set out in this section its consolidated income statement by business line for ease of reference for investors. It should be noted that the financial information below is presented on a proportionally consolidated basis which is not consistent with the requirements of AIFRS. This information is supplied so as to provide an indication of the impact of the Acquisition to each net revenue stream. It is not a substitute for the financial information in Section 9.3 above.

	VALAD WITH THE OFFER AND ACQUISITION FY2008 A\$M
<i>PRO-FORMA INCOME STATEMENT BY BUSINESS LINE</i>	
<b>Profit attributable to the Stapled Security holders of Valad:</b>	
Net property rental income	106.7
VCS – Passive/Crownstone	26.9
Funds management fee income	166.2
VCS – Preferred equity	41.3
Property development and trading	43.7
Other income	28.0
Total revenues	412.8
Expenses	(147.6)
Earnings before interest, tax, depreciation and amortisation	265.2
Interest expense	(66.2)
Write off of acquisition costs for investment properties	(6.6)
Earnings before tax, depreciation and amortisation	192.4
Depreciation	(3.5)
Amortisation	(21.4)
Net profit before tax	167.5
Tax expense	(15.3)
Net profit after tax	152.2
Minority Interest	(10.7)
<b>Net Profit attributable to Valad security holders</b>	<b>141.5</b>
<b>Adjust for AIFRS non cash based items</b>	
Amortisation of intangibles	20.0
Amortisation of lease incentives	1.4
Implied finance charge on deferred purchase consideration	11.8
Write off of acquisition costs for investment properties	6.6
<b>Valad Underlying Earnings<sup>1</sup></b>	<b>181.3</b>
<b>Underlying Earnings per Valad Security – cents</b>	<b>12.5</b>
<b>Valad Forecast distributions</b>	
Distribution from Valad Property Trust	181.1
Dividend from Valad Funds Management Limited	–
Total distributions paid/payable (A\$ million)	181.1
Distributions/dividends paid/payable (cents/security)	12.5 <sup>2</sup>

Notes:

- 1 Net Profit after Tax and before amortisation and other non cash items, with the exception of UK transfer taxes in relation to the Acquisition which are fully funded and one-off in nature.
- 2 The distributions are based on a payout ratio of 99.9% of underlying cash earnings. Distributions may include a capital component.

# → 9 SUMMARY FINANCIAL INFORMATION

## 9.5 Pro-Forma Balance Sheets

The table below shows the pro-forma balance sheets of Valad prior to and as at completion of the Acquisition and the Offer. The basis of preparation of the pro-forma balance sheets is set out in Section 9.6.11 below.

	VALAD WITHOUT THE OFFER AND ACQUISITION A\$M	VALAD WITH THE OFFER AND ACQUISITION A\$M
Cash	16.4	42.1
Receivables <sup>1</sup>	27.4	282.4
Developments in progress	–	30.0
Other current assets	29.7	53.5
<b>Current assets</b>	<b>73.5</b>	<b>408.0</b>
Receivables	452.9	531.4 <sup>2</sup>
Inventories and developments in progress	292.2	319.0
PP&E	1.6	15.2
Investments in Direct Property	516.0	919.0
Intangibles – Goodwill	40.6	621.9
Intangibles – Management Rights	13.4	128.3
Investments accounted for using the equity method	62.5	149.0
Other investments	110.9	125.1
Other non-current assets	9.3	25.7
<b>Non Current assets</b>	<b>1,499.4</b>	<b>2,834.6</b>
<b>Total assets</b>	<b>1,572.9</b>	<b>3,242.6</b>
Payables	14.6	74.0
Current tax liabilities	–	3.3
Interest bearing liabilities	–	43.6
<b>Total current liabilities</b>	<b>14.6</b>	<b>120.9</b>
Payables	1.5	1.5
Interest bearing liabilities	468.4	622.0
Deferred purchase consideration	–	205.4
Deferred tax liabilities	3.6	25.5
<b>Total non-current liabilities</b>	<b>473.5</b>	<b>854.2</b>
<b>Total liabilities</b>	<b>488.1</b>	<b>975.1</b>
<b>Net assets</b>	<b>1,084.8</b>	<b>2,267.5</b>
Contributed Equity	1,032.9	2,188.0
Reserves	36.5	36.5
Retained Profits	15.4	8.8
Outside equity interest	–	34.2
<b>Total shareholders funds</b>	<b>1,084.8</b>	<b>2,267.5</b>
Securities on issue (million)	828.2	1,449.4
Gearing	29.0%	19.5%

Notes:

- Under the Sale and Purchase Agreement the Vendors have guaranteed that if Dorland House is sold Valad will receive £57.7 million (A\$136.9 million). If Dorland House is not sold by 30 September 2007, Valad may, at its election, require the vendors to purchase Dorland House for £57.7 million (A\$136.9 million)
- Non-current receivables include a £22.5 million (A\$53.3 million) loan to Vendors in relation to their investment in the Frenchgate property (please refer to Section 10.1 for details)

## 9.6 Key Assumptions Underlying the Forecasts

The material best estimates assumptions made in preparing the Forecasts are set out below.

### 9.6.1 Property Rental income

Property rental income is derived from direct property ownership and through investing in property investment funds. The assumptions by portfolio are set out below.

#### Valad

Forecast net rental income is gross rent from property, which comprises rent, turnover rent and recoverable outgoings charged to tenants after deducting property expenses. Forecast net rental income for Valad's existing assets is based on current leases and management forecasts and assumptions for future occupancy rates, tenant turnover and market rentals.

#### New acquisitions and disposals

New assets with a cost of A\$225 million and average net rental yields of 6.75% pa are assumed to be acquired during the year to replace currently owned assets valued at approximately A\$380 million which are expected to be sold to new Valad managed funds.

#### Scarborough – UK portfolio

Forecast net rental income is gross rent from property, which comprises rent, turnover rent and recoverable outgoings charged to tenants after deducting property expenses consistent with the Independent Valuations. It has been assumed that all tenants vacate the premises at the time of lease expiry. Current vacancies and vacancies which are likely to arise during the Forecast Period are assumed to be leased within 18 months. It has been assumed that new leases begin at prevailing market rates consistent with the Independent Valuations. The Vendors are providing rental income support of up to A\$13.0 million payable over three years. The Forecasts assume that A\$6.0 million of the rental income support is used.

#### Disposals

One property is currently for sale [Dorland House]. Under the Sale and Purchase Agreement the vendors have guaranteed that if Dorland House is sold Valad will receive £57.7 million (A\$136.9 million). If Dorland House is not sold by 30 September 2007, Valad may, at its election, require the vendors to purchase Dorland House for £57.7 million (A\$136.9 million).

#### Portfolio acquisition costs

Stamp duty totalling A\$6.6 million will be incurred by the Trust on the acquisition of the portfolio. To the extent that the contract price of each property plus the stamp duty exceeds the valuation of the property, the excess has been written off.

#### European portfolio (SCP) – Property portfolio

Valad will have a 50% interest in this property warehousing vehicle. At Acquisition SCP will have approximately A\$1.3 billion in total assets.

#### New acquisitions and disposals

It has been assumed during the forecast period that SCP acquires a further A\$1.2 billion (€750 million) of property at a yield of 7%. These acquisitions are assumed to occur periodically throughout the year.

It has been assumed that during the Forecast Period SCP disposes of A\$1.8 billion in property to managed funds (including the German Aktiv fund).

No profit has been forecast in relation to these disposals.

#### European operations (ScEuro) – Property portfolio

Valad will have a 50% interest in this property warehousing vehicle.

#### New acquisitions and disposals

It has been assumed during the Forecast Period that ScEuro acquires A\$238.5 million (€150 million) of property at a net acquisition yield of 7%. There have been no sales assumed within the ScEuro portfolio during the forecast period.

#### Indirect property investments

The Forecasts include A\$15.9 million of income from co-investing in managed funds.

### 9.6.2 Passive – Valad Capital Services

Valad's VCS portfolio spans the full risk and return spectrum. At the lower end of the risk spectrum are investments where the underlying assets are core and core plus style properties and the returns to Valad are underpinned by rent. These investments represent passive style earnings for Valad and include the preferred equity investment into the Crownstone fund. The income of A\$26.9 million derived from these investments is based on the preferred return of 9.2% for the Crownstone investment and 13.0% for the other VCS passive investments.

### 9.6.3 Funds management fee income

#### Valad Funds Management Services

##### Basis for fees

Valad earns management fees from the management of property investments and developments on behalf of investors in funds and joint ventures. The basis for these fees vary depending on the vehicle under management and include acquisition and disposal fees, fund management fees, asset management fees, leasing fees, debt arrangement fees and performance fees. Valad is also entitled to fees on a share of profit achieved at realisation of some development projects under management.

# → 9 SUMMARY FINANCIAL INFORMATION

## *New funds*

It is assumed that Valad will establish five new funds in FY2008. Two of the five new funds will be extensions of existing platforms representing the next fund in that particular series. Of the remaining three funds, Valad already owns the seed assets for two of these funds.

## *Expiring funds*

Valad's fund platforms include limited life funds, where the fund will expire at the earliest of a specified date or the completion of all projects in the fund. There are a number of projects in these funds which are forecast to complete during the Forecast Period. There is one fund where the final project is due to expire during the Forecast Period.

## *Asset acquisitions*

Valad is constantly sourcing new assets and projects for the funds it manages, for new funds and for new joint ventures. During the Forecast Period, it is assumed that a further A\$1.9 billion of property assets are acquired for new and existing funds.

Valad has a substantial pipeline of assets and projects under review. This pipeline is enhanced by the VCS platform, as Valad usually has a 'right of first offer' to take VCS assets to funds management platforms.

## **Teesland**

Scarborough owns 72.3% of the shares of Teesland, a fund manager listed on LSE. The key assumptions underlying the forecasts in respect of Teesland are set out below.

## *Basis for fees*

Valad has assumed that Teesland continues to earn the agreed base management fees on all existing funds consistent with the respective service agreement. Teesland is entitled to both acquisition and disposal fees in relation to most of its managed funds.

Teesland is also entitled to performance fees generally based on a asset level total return. The Forecasts do not include any material contribution from performance fees.

In addition to funds management fees, Teesland conducts various fee for service activities. The Forecasts include:

- property management
- project management
- other joint ventures

## *New funds*

The Forecasts assume the establishment of two new Teesland funds. The first is the German Aktiv fund for which the seed assets of A\$1.2 billion (€770 million) have been secured by SCP and which is assumed to be established during CY2007. The Forecasts also assume the establishment of a new fund in FY2008 with assets of approximately A\$556 million.

Both funds are expected to contribute establishment fees to Teesland's FY2008 earnings. The combined establishment fee included in the Forecasts is A\$2.5 million.

## *Expiring funds*

There are no fund expiries within the Forecast Period.

## *Property acquisition assumptions*

The Forecasts assume a number of the funds acquire additional properties, totalling A\$1.9 billion (€0.8 billion) throughout the Forecast Period. This assumption is consistent with the fund mandates and is generally not predicated on the funds raising additional equity.

## *Disposal assumptions*

The Forecasts assume that the two funds with specific mandates to dispose of assets with an approximate value of A\$0.59 million (€0.25 million), undertake these disposals.

## **9.6.4. Valad Capital Services (VCS)**

### ***Valad – Preferred equity investments***

VCS makes investments across the full risk and return spectrum. Accordingly, some VCS investments are considered active earnings and others passive. For example, investments in greenfield developments, which are generally considered higher risk, but have the capacity to deliver higher returns, are deemed by Valad to be active earnings.

### *VCS Australia and New Zealand*

Based on the performance of current investments the Forecasts include fees, interest income and entitlement for profit share of A\$26.1 million. It is assumed there will be continued investment in preferred equity positions, with an additional A\$150.0 million of commitments generating fees, interest income and entitlement to profit share of A\$11.6 million.

### *VCS Europe*

The Forecasts assume the establishment of a VCS structured product in Europe. Over the Forecast Period it is assumed that A\$59.3 million (€25 million) is invested into various joint venture projects between September 2007 and June 2008. The Forecasts do not include any contribution from the preferred return entitlement.

### **9.6.5 Property development and trading**

The Forecasts assume that Valad will generate A\$43.4 million from property development and trading during FY2008 generated from existing Valad and Scarborough properties held as development or inventory. These assets will be disposed of either to external investors or to funds managed by Valad.

The forecast profit on developments is estimated having regard to the expected revenue and the costs for each development. Revenues are based on an assumed price and an assumed sales rate for each project, having regard to estimates of current demand and recent sales of that project or of similar projects. Total project costs are based on an assumption of likely development costs for each project and financing costs, based on building contracts, quantity surveyor reports and overall project costings.

The Forecasts assume the property portfolio outlined in Section 4.7 will be sold during the Forecast Period at book value.

### **9.6.6 Interest and other income**

#### **Loans to joint ventures**

The Forecasts include interest income on loans provided by Scarborough to development joint ventures. The Forecasts assume that existing loans of approximately A\$57.4 million £24.2 million decrease to approximately A\$53.3 million £22.5 million by 30 June 2008 and earn interest at an assumed average interest rate of approximately 7.5%.

As part of the Acquisition, Valad is providing a loan to Vendors to fund their investment in the Frenchgate property (please refer to Section 10.1 for details).

#### **9.6.7 Operating expenses**

The forecast operating costs excluding the Offer and Acquisition are based on the current Valad management structure and organisation and assuming an appropriate growth factor.

The forecast operating costs taking into consideration the Offer and Acquisition include the operating costs of the Scarborough businesses allowing for the forecast growth in these businesses and an increase in Valad operating costs relating to the cost of managing the expanded Group. No cost synergies have been assumed in the Forecasts.

#### **9.6.9 Interest expense**

Forecast interest expense has been based on existing borrowing facilities in each of the businesses. The effective weighted average cost of debt during the Forecast Period is 6.28%

Interest rates are hedged at an average rate of 5.1%. The existing interest rate swaps provide hedging for over 77% of the drawn borrowings over FY2008.

In addition, the Forecasts assume that borrowing costs associated with property under development are capitalised into the carrying amount of the properties under development during the Forecast Period in accordance with the Group's accounting policies.

#### **9.6.10 Offer details**

Under the Offer Valad will raise approximately A\$1.2 billion through the issue of 621.2 million New Securities at an Application Price of A\$1.92.

The proceeds of the Offer will be received in two tranches:  
→ Institutional and Initial Allotment (10 July 2007)  
→ Final Allotment (27 July)

It is assumed the Underwriting Agreement will not be terminated prior to the Allotment Date.

The acquisition of Scarborough is forecast to be settled on 10 July 2007 with the proceeds from the initial tranche of the capital raising. The second tranche of the capital raising will fund the reduction in debt and other working capital.

The Forecasts include the results of Scarborough from 1 July 2007. If control is not achieved until 10 July 2007 then there may be an immaterial reduction in reported earnings; however, distributions to Stapled Securityholders will be maintained.

It is assumed that no further capital raisings will be undertaken during the Forecast Period. It has also been assumed that a distribution reinvestment plan is not operational during the Forecast Period.

#### **9.6.11 Pro-forma transaction adopted in preparing the balance sheet**

The pro-forma balance sheets in Section 9.5 are based on:

- Valad's consolidated reviewed balance sheet at 31 December 2006 adjusted to reflect that since that date:
  - Acquisitions and investments totalling A\$498.7 million for the investment in Crownstone portfolio, the acquisition of Erskine Park and the co-investment in the Valad Core Plus Fund
  - Divestments totalling A\$385.9 million, including the sale of Bankwest Tower and disposal of property assets to the Valad Core Plus Fund
  - Equity issued of A\$327.7 million relating to the equity raised in February 2007, distribution reinvestment plan and security purchase plan

# → 9 SUMMARY FINANCIAL INFORMATION

→ The audited balance sheet of Scarborough Property Holdings as at 28 February 2007 updated to reflect capital transactions occurring prior to the Acquisition by Valad, the Directors assessment of the fair values of the assets acquired including investment properties, investments in joint ventures and prepayments and recognition of deferred tax liabilities and derivatives in accordance with AIFRS including deferred tax in underlying joint ventures.

## The Offer and Acquisition

- The issue of 621.2 million New Securities at an application price of A\$1.92 including conversion of the Vendor's convertible notes
- The acquisition of the business for A\$667.2 million
- The repayment of debt of A\$470.4 million
- The costs of the offer being A\$37.6 million deducted from contributed equity, costs of A\$10.9 million included in the purchase price and A\$6.6 million in property acquisition costs written off

The pro-forma balance sheet with the Offer and Acquisition incorporates estimates of the fair value of the net assets being acquired based on the balance sheet of Scarborough as at 28 February 2007 (including the adjustments set out above) and the goodwill arising on acquisition. Until the acquisition occurs there will not be sufficient information to ascertain the fair value of the net assets acquired. Therefore there will be some variation, which may be material, between the composition of net assets (including goodwill) as shown in the pro-forma balance sheet with the Offer and Acquisition.

Valad, through the course of its normal operations, conducts due diligence on potential acquisitions. Post the Offer, Valad's balance sheet provides capacity to undertake acquisitions as assumed in its forecasts. Any transaction that may occur in the exposure period of this Prospectus and PDS would not be expected to increase the Group's earnings materially or increase Valad's gearing above its target gearing range.

### 9.6.12 Foreign exchange rates

The following exchange rates have been assumed in the Offer Document:

- AUD/GBP : 0.4216
- AUD/EUR : 0.6290
- EUR/GBP : 0.6737

### 9.6.13 Foreign Currency Hedging

#### Initial Equity Requirement

Valad will receive proceeds from the offer in Australian dollars which will be required to meet a British pounds obligation to acquire Scarborough. Valad has entered into financial derivatives to ensure that the ability of Valad to meet its British pounds obligation is not impacted by any movement in the AUD/GBP exchange rate. The proceeds of the Offer will be transferred at an average rate of AUD/GBP 0.4216.

#### Income Statement

The Group's incremental income from this Acquisition will be received in various currencies including British pounds, Euros and other European currencies. Valad has a policy to undertake foreign exchange hedging, using financial derivatives and multi-currency debt facilities, to manage its future exposure to the various underlying currencies of the individual businesses.

The Group expects to effectively hedge its offshore income within the following ranges:

FORECAST YEAR	% OF INCOME EXPOSURE HEDGED
Years 1-2	70-90%
Years 3-5	50-70%

In determining the ranges Valad has given consideration to the certainty of each underlying revenue stream. The Group at announcement will enter into forward rate agreements.

#### Balance Sheet

Initially the Group will manage its balance sheet exposure to foreign exchange movements by maximising the debt in the same currency as the underlying assets. To the extent there is a material net capital exposure after debt in each currency as the underlying assets, the Group will consider entering into normal currency derivatives to hedge any short to medium term capital exposure.

The Forecast Period has not assumed any foreign currency derivatives are utilised to manage the net currency exposure of the balance sheet.

### 9.6.14 General Assumptions

#### Compliance with Accounting Standards.

The Forecasts and the impact of the Offer on the Forecasts were prepared in accordance with AIFRS, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Act. The financial information is presented in an abbreviated form, in so far as it does not comply with all the disclosures required by AIFRS applicable to annual reports prepared in accordance with the Corporations Act.

It has been assumed that there are no changes in Australian Accounting Standards during the Forecast Period which will have a material impact on the performance and position of Valad.

#### **Litigation**

It has been assumed that there will be no litigation other than that already disclosed. Further, it is assumed there will be no settlement payments within the Forecast Period.

#### **Continuity of Operations**

It has been assumed there will be no significant disruption to the operations of Valad during the Forecast Period.

### **9.7 Significant Accounting Policies**

The key policies, which have been adopted in the preparation of the Forecasts are outlined below to assist in their general understanding:

#### **Basis of Preparation:**

The forecast consolidated income statement and pro-forma consolidated balance sheet have been prepared on a going concern basis adopting the accruals and historical cost basis of accounting except for property investments which are recorded at fair value and in accordance with AIFRS, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

#### **Principles of Consolidation**

##### **Subsidiaries**

The forecast consolidated financial statements incorporate the assets and liabilities of all entities controlled by Valad and the results of all controlled entities for the Forecast Period while controlled by Valad. The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority interests in the results and equity of controlled entities are shown separately in the consolidated income statement and consolidated pro-forma balance sheet.

The identifiable assets acquired and liabilities and contingent liabilities assumed as part of this transaction have been measured at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

##### **Associates**

Associates are all entities over which the Group has significant influence but not control, generally representing a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of

accounting. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on Acquisition.

The Group's share of its associates' post-Acquisition profits or losses is recognised in the income statement, and its share of post-Acquisition movements in reserves is recognised in reserves. The cumulative post-Acquisition movements are adjusted against the carrying amount of the investment.

##### **Joint venture entities**

Interests in joint ventures are accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses arising from transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment.

##### **Accounting for the Acquisition**

The purchase method of accounting has been used to account for the Acquisition. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the Acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

The deferred cash consideration to be settled in future years has been recorded in the pro-forma consolidated balance sheet at its present value as at the Acquisition date using a discount rate reflective of the consolidated entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

##### **Property Investments**

Investment properties comprise investment interests in land and buildings held for long term rental yields that are not occupied by the Group. Investment property is carried at fair value, representing open-market value determined tri-annually by external valuers.

Land and buildings (including integral plant and equipment) that comprise investment property are not depreciated. The carrying amount includes components relating to lease incentives. Changes in fair values are recorded in the income statement as part of other income.

# → 9 SUMMARY FINANCIAL INFORMATION

The investment property portfolio being acquired as part of the transaction has been recorded in the pro-forma consolidated balance sheet at fair value based on market valuations from independent valuers.

## ***Inventories and developments in progress***

The cost of projects in progress and completed buildings include all development costs as incurred. These include materials, labour, amounts paid to third party developers, financing costs and any other inputs to the current work in progress and are stated at their lower of cost and net realisable value.

The development projects being acquired as part of the transaction have been recorded in the pro-forma consolidated balance sheet at fair value. Fair value has been calculated by discounting the future net cashflows of each development project being acquired using an appropriate discount rate reflective of the duration and risk associated with the respective project.

## ***Revenue Recognition***

Revenue is brought to account on an accruals basis with the exception of income derived from development projects. Revenue on development projects is recognised on a settlement basis where risks and rewards of the developed asset have been transferred to a third party.

## ***Borrowing costs***

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

## ***Income Tax Expense***

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for the jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

## ***Intangible assets***

### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised, instead goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

### *Management rights*

Management rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of management rights over their estimated useful lives, which vary from 4 to 20 years.

## ***Foreign currency transactions***

Foreign currency transactions are converted to Australian dollars at the rate of exchange prevailing at the date of the transaction or at hedge rates where applicable. Amounts receivable or payable that are outstanding as at the balance date and are denominated in foreign currencies are converted to Australian dollars using rates of exchange at the end of the period. All resulting exchange differences arising on settlement are brought to account in the operating result.

### Foreign controlled entities

The assets and liabilities of foreign controlled entities are translated into Australian dollars at rates of exchange current at balance date, while their income and expenditure are translated at the hedge rates where applicable, otherwise at the average rate in accordance with AIFRS. Exchange difference arising on translation are taken to the foreign currency translation reserve.

### Derivatives

Valad will enter into derivative financial instruments to manage its exposure to changes in interest rates and foreign currency exchange rates. Derivatives are initially recognised at fair value on the date the derivative contracts are entered into and subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether a derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Certain derivative instruments do not qualify for hedge accounting. Changes in fair values or any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Future changes in the fair value of derivatives have not been included in the forecast financial information.

## 9.8 Sensitivity Analysis

Investors should be aware that the Financial Forecast may not be met for a variety of reasons. To assist investors in understanding the significance of the key assumptions for the Forecast net profit after tax of Valad with the Offer and Acquisition, the table below sets out the effect of a change in several assumptions.

Investors should note that the sensitivity analysis is intended to be a guide only and variations in actual performance may exceed the ranges shown. Movement in other assumptions may offset or compound any one variable beyond the extent shown.

The table details the impact in earnings per security of Valad with the Offer and Acquisition, for changes in certain assumptions.

SENSITIVITY	ADJUSTMENT	FY2008 EPS IMPACT (¢PER SECURITY)
No Retail Offer	Decrease issuance by A\$240m	Nil
Placement to Vendors	Increase issuance by A\$140m	Nil
Interest Rates	Increase / (Decrease) interest rates by 50 basis points	± 0.12
Acquisitions	Increase / (Decrease) SCP by A\$100m	± 0.05
	Increase / (Decrease) Teesland acquisitions by A\$100m	± 0.05
	Increase / (Decrease) ScEuro by A\$50m	± 0.03
Fund Launch	Delay German Aktiv Fund launch by three months	- 0.04
	Defer launch of new European Fund from March 2008 to FY2009	- 0.14
	Defer launch of Australian Fund	- 0.09
Property Forecasts (UK portfolio only)	Increase let up assumptions by three months	- 0.01
	Increase / (Decrease) rental growth by 1%	± 0.00
Expenses	Increase / (Decrease) expenses by 1%	± 0.07

→ **10 MATERIAL DOCUMENTS**

**10**

The summaries in this Section highlight the nature of and, where relevant, the significant provisions of material documents relating to the Offer and Acquisition and do not purport to be exhaustive statements of any or all of their provisions. Defined terms below which are not included in the Glossary in Section 12 are defined in the summaries themselves.

Below is a guide to the documents.

<i>CONTRACT</i>	<i>PARTIES</i>	<i>SUBJECT MATTER</i>	<i>SECTION</i>
<b><i>Agreements relating to the Acquisition</i></b>			
Sale and Purchase Agreement	Bidco, VFML, Valad Belgium Holdings NV, Scarborough Investment Holdings BV, SDG (Properties) Limited, each TCL Seller, each SCAMP Seller and each other Seller	Sets out the terms of the acquisition by Bidco of Scarborough	10.1
Subscription Agreement	The Responsible Entity, VFML and each subscriber	Sets out the terms of subscription for Stapled Securities by each Subscriber	NA
Consideration loan notes	Bidco, the Governor and Company of the Bank of Scotland and each Vendor subscribing for loan notes.	Sets out the terms of the loan notes issued by Bidco and the guarantee given by the Governor and Company of the Bank of Scotland in relation to the loan notes	10.2
Lock-in Agreements	The Responsible Entity, VFML and each covenantor	Restricts rights in respect of Stapled Securities issued to each covenantor	10.3
Put and Call Option Agreements	Holdco and each Vendor The Responsible Entity, VFML and each Vendor	Sets out terms of put and call arrangements under which certain loan notes issued by Bidco to each Vendor may be exchanged for loan notes issued by Holdco, which may then be exchanged for Stapled Securities	NA
<b><i>Key personnel contracts</i></b>			
Non-Compete Deeds	VFML and each of Kevin McCabe, Simon McCabe, Scott McCabe and the trustees of the trusts settled by Kevin McCabe VFML and each of Stephen McBride, Didier Tandy and Cesidio Di Ciacca	Sets out the terms of non-compete and non-solicitation under which each covenantor is bound	10.4
<b><i>Facility Agreements</i></b>			
Principal Bank of Scotland Facilities in relation to the Target Group	Bank of Scotland and the Target Group	Sets out the terms of the banking facilities provided by the Bank of Scotland	10.5

# → 10 MATERIAL DOCUMENTS

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## Agreements relating to the Entitlement

Underwriting Agreement	The Underwriters, the Responsible Entity of VPT and VFML	Sets out the conditions on which the Underwriters have agreed to underwrite the issue of New Securities under the Entitlement Offer	10.6
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## Agreements Relating to the Acquisition

### 10.1 Sale and Purchase Agreement

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<b>Parties</b>	Bidco, VFML, Valad Belgium Holdings NV ("Valad Belgium"), Scarborough Investment Holdings BV, SDG (Properties) Limited, each TCL Seller and each SCAMP Seller
<b>Purpose</b>	<p>The agreement sets out the terms and conditions under which:</p> <ul style="list-style-type: none"> <li>(a) Bidco acquires all the issued shares of TCL ("TCL Shares") from the TCL Sellers;</li> <li>(b) Bidco acquires all the issued shares of SCAMP not already owned by TCL ("SCAMP Shares") from the SCAMP Sellers;</li> <li>(c) Valad Belgium acquires 50% of the issued shares of Sc€uro Holdings BV ("Sc€uro Shares") from Scarborough Investment Holdings BV; and</li> <li>(d) SDG (Properties) Limited procures the acquisition by Bidco of the certain minority stakes in investment vehicles (being unit trusts) operated by AMP (the "AMP Minorities").</li> </ul> <p>In addition, AMP holds a minority stake in an investment vehicle which is majority owned by a member of the Vendor Group, which is to be sold on the sale of TCL and SCAMP (the "Blackpool Minority Interest").</p>
<b>Price</b>	<p>The price for the TCL Shares, the SCAMP Shares and the Sc€uro Shares (the Final Price) is, subject to any applicable adjustments, an amount of up to £239,693,522 comprising:</p> <ul style="list-style-type: none"> <li>(a) £141,593,522 payable to the TCL Sellers and the SCAMP Sellers at Closing;</li> <li>(b) £1.7 million payable to Scarborough Investment Holdings BV (as vendor of the Sc€uro Shares) at Closing;</li> <li>(c) £1.4 million payable to SDG (Properties) Limited as agent for the AMP Minorities (payable at the time such minority interests are sold to Bidco, whether at or after Closing);</li> <li>(d) an amount of up to £55 million ("First Deferred Payment") payable to the TCL Sellers and the SCAMP Sellers on 28 September 2008; and</li> <li>(e) an amount of up to £40 million ("Second Deferred Payment") payable to the TCL Sellers and the SCAMP Sellers on 28 September 2009</li> </ul> <p>The First Deferred Payment and Second Deferred Payment may be adjusted for amounts set-off against such amounts in accordance with the agreement. Further, if the EBITDA for the period ending 30 September 2008 is less than £11.73 million, Bidco shall be entitled to retain such amount as is equal to the shortfall (to a maximum amount of £4 million) (the "First Year EBITDA Support"). If the EBITDA for the period ending 30 September 2009 is less than £12.65 million, Bidco shall be entitled to retain such amount as is equal to the shortfall (to a maximum of £4 million less the amount of the First Year EBITDA Support).</p>

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<b>Adjustment of Price</b>	<p>The First Deferred Payment and the Second Deferred Payment may also be reduced in the following circumstances. Bidco and the Company have agreed that a member of the Valad Property Group (the "Frenchgate Lender") shall at Closing lend £22,473,010 to a person nominated by the Vendors (the "Frenchgate Borrower") in respect of a property located at Frenchgate Interchange, Doncaster ("Frenchgate Property") for a period of up to 18 months (or less if the Frenchgate Property is sold earlier) at an interest rate of 10 per cent per annum, payable monthly (which interest may be capitalised). At the expiry of the loan period, the TCL Sellers and the SCAMP Sellers have agreed to procure that the Frenchgate Borrower shall pay to the Frenchgate Lender the principal plus capitalised and accrued interest. A default in payment shall reduce the First Deferred Payment or the Second Deferred Payment (depending on when the loan expires) by the outstanding amount, plus a default rate of interest.</p> <p>Bona fide claims by Bidco pursuant to the warranties or the tax covenant may be set-off against the First Deferred Payment or the Second Deferred Payment in certain circumstances.</p> <p>The purchase price is subject to adjustment such that if the closing net asset value is less than the pro forma consolidated net asset value of TCL, SCAMP and each of their subsidiaries as at 30 June 2007, the TCL Sellers and the SCAMP Sellers shall pay the difference (subject to a £500,000 threshold) to Bidco in cash (or at their election by way of a reduction to the First Deferred Payment). If the closing net asset value is more than the pro forma consolidated net asset value of TCL, SCAMP and their subsidiaries as at 30 June 2007, Bidco shall pay the difference (subject to a £500,000 threshold) to the TCL Sellers and the SCAMP Sellers (to be satisfied by the issue of loan notes).</p>
<b>Conditions and Closing</b>	<p>Closing is conditional on the allotment and quotation of all of the New Securities offered pursuant to the Institutional Entitlement Offer.</p>
<b>Income Support</b>	<p>Certain companies that Bidco is acquiring under the agreement own properties. In respect of certain of these properties, for three years following Closing, the TCL Sellers and the SCAMP Sellers have guaranteed to Bidco that the rental income will be not less than a certain amount. If the rental income is less than such amount then the TCL Sellers and the SCAMP Sellers must pay the shortfall to Bidco. The maximum amount of such guarantee is £5,500,000 in aggregate.</p>
<b>Security Arrangements</b>	<p>Each of Kevin McCabe, Didier Tandy, Stephen McBride, Cesidio di Ciacca and John Burnley have agreed that the Stapled Securities issued to them under the agreement will be subject to a holding lock as security for any claims made against them under the warranties.</p>
<b>Pre-closing Undertakings</b>	<p>The TCL Sellers and the SCAMP Sellers have certain obligations in relation to the conduct of the Target Group that they must comply with from the date of the agreement until Closing.</p>
<b>Post-closing Undertakings and Covenants</b>	<p>The parties have certain obligations that they must comply with after Closing. After Closing, the TCL Sellers, the Scamp Sellers and their Affiliates are prohibited from using trademarks, business names, domain names or websites containing certain words. Bidco has agreed to change the name of companies which it acquires so that the name does not contain the word "Scarborough" and to procure that TCL, SCAMP and their subsidiaries cease to use trademarks, trade or service names, registered designs or logos identical or similar to "Scarborough" marks.</p>

# → 10 MATERIAL DOCUMENTS

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<b>Warranties and Indemnities</b>	<p>The TCL Sellers and the SCAMP Sellers have given certain warranties under the agreement in relation to their title to the TCL and SCAMP shares being sold (on an absolute basis), in addition to other business warranties, some of which are limited by materiality and awareness qualifications. Matters warranted include general and commercial matters, IP/IT, real estate, environmental and health and safety matters, employment, tax, retirement benefits and warranties in relation to unit trusts. More limited warranties, which are all limited by awareness, are given in relation to Teesland (and exclude tax and real estate matters).</p> <p>The TCL Sellers and the SCAMP Sellers have also given a covenant to Bidco in relation to tax. The tax covenant (a) protects Bidco against tax liabilities of the Target Group that relate to events arising on or before the acquisition but were not taken into account calculating the purchase price, and (b) allocates responsibility for the pre acquisition tax affairs of the Target Group. The covenant is not given in respect of Teesland or its subsidiaries.</p> <p>The TCL Sellers and the SCAMP Sellers shall not be liable for a claim unless Bidco gives them written notice of the claim (a) by the seventh anniversary of the Closing Date in respect of a UK tax claim (and following expiry of the applicable statutory limitations period in other jurisdictions); and (b) in respect of any other claim by the earlier of 31 December 2009 and the date which falls 30 days after the date on which the audited accounts of Valad for the 12 months ended 30 June 2009 are published.</p> <p>The total aggregate liability of the TCL Sellers and the SCAMP Sellers for all claims is limited to £115 million. The TCL Sellers and the SCAMP Sellers shall not be liable for any claim unless the individual claim exceeds £100,000 and when aggregated together with all other claims it exceeds £5 million.</p>
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<b>Guarantee</b>	VFML has guaranteed to pay on demand any sums payable by any member of the Valad group in connection with the agreement which are not paid by such member. VFML has undertaken to indemnify the TCL Sellers and the SCAMP Sellers against any loss, costs and expenses incurred by them as a result of the failure by such member to pay any sums payable. VFML has also undertaken to procure that Bidco duly and punctually performs and discharges its obligations under the agreement.
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<b>Effect of a Valad Property Group takeover</b>	In the event a takeover (whether by way of an offer or a scheme of arrangement) for Valad becomes unconditional or is otherwise completed it has been agreed that certain seller obligations (including the security arrangements described above and the warranty coverage) shall cease to have effect.
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## 10.2 Consideration Loan Notes

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<b>Parties</b>	Bidco, the Governor and Company of the Bank of Scotland (the "Guarantor") and each Vendor subscribing for loan notes.
<b>Purpose</b>	The consideration loan notes form part of the consideration being provided to Vendors in connection with the Acquisition. The consideration loan note instrument sets out the constitution of the loan notes and the terms of the guarantee which the Guarantor has agreed to provide a guarantee in relation to the loan notes.
<b>Amount of Notes</b>	The principal amount of the Notes is limited to £220 million (in order to satisfy the initial Closing payment, the First Deferred Payment, the Second Deferred Payment and potential adjustments to the purchase price). The Notes are to be issued in integral multiples of £1 by Bidco.
<b>Status of Notes</b>	The Notes are an unsecured subordinated obligation of Bidco.

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<b>Repayment of Notes</b>	<p>There are three instances in which the Notes must be repaid by Bidco:</p> <ul style="list-style-type: none"> <li>→ If a Noteholder gives not less than 20 Business Days' notice to Bidco requiring the repayment at par of all of the Notes then held by him on such Repayment Date as is specified in the notice;</li> <li>→ On the Final Repayment Date, Bidco must repay all of the Notes then outstanding; and</li> <li>→ If there is to be: <ul style="list-style-type: none"> <li>(a) a sale of more than 50% of the issued equity share capital of Bidco or of any holding company of Bidco (other than VFML and/or VPT) to a single buyer or to one or more buyers as part of a single transaction (a "sale"); or</li> <li>(b) the admission of any class of the issued share capital of Bidco or of any holding company of Bidco (other than VFML and/or VPT), to the Official List of the Financial Services Authority and to trading on the London Stock Exchange plc's market for listed securities or the Alternative Investment Market of the London Stock Exchange, or any other recognised investment exchange (as defined in section 285(1) of the Financial Services and Markets Act 2000) (a "quotation"); and</li> <li>(c) immediately prior to the sale or quotation, the Noteholders direct that the principal amount of all Notes, all unpaid accrued interest and any other sum then payable on such Notes shall be repaid in full at par either by Noteholders holding more than 75% in nominal value of the Notes then issued and outstanding giving written notice to Bidco or by extraordinary resolution.</li> </ul> </li> </ul>
<b>Interest on Notes</b>	<p>Until the Notes are repaid, Bidco must pay interest on the principal amount of the Notes which are outstanding. Interest is calculated at a rate equal to the applicable interest rate from time to time in respect of amounts deposited in the Deposit Account from time to time. The "Deposit Account" is a loan note guarantee security account of Bidco held with the Guarantor and designated as a blocked account.</p>
<b>Default</b>	<p>If an event of default has occurred, the Noteholders may direct that the principal amount of all Notes, all unpaid accrued interest and any other sum then payable on such Notes shall be due and payable immediately.</p> <p>The following are the principal events of default:</p> <ul style="list-style-type: none"> <li>→ Failure to pay principal or interest;</li> <li>→ Breach of a material obligation;</li> <li>→ Insolvency events;</li> <li>→ Illegality;</li> <li>→ Cross-default;</li> <li>→ Cessation of business;</li> <li>→ Disposal of a material part of the business or assets; and</li> <li>→ Change of control of Bidco, Holdco or VFML and/or VPT.</li> </ul>
<b>Guarantee</b>	<p>The due and punctual payment of the principal and interest owing by Bidco in respect of the Notes is guaranteed by the Guarantor.</p>

# → 10 MATERIAL DOCUMENTS

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<b>Transferability of Notes</b>	<p>The Notes are transferable by instrument in writing in amounts and multiples of £1,000 (or, where lower, the balance of Notes held by the Noteholder).</p> <p>The Notes may only be transferred by way of assignment for security or:</p> <ul style="list-style-type: none"><li>→ In the case of a Noteholder who is an individual, to a family member over the age of 18 or to the trustees of a family trust;</li><li>→ In the case of a Noteholder who is the trustee of a family trust, to the family members of the Noteholder who are the beneficiaries of that family trust or to replacement trustees of the family trust;</li><li>→ In the case of a Noteholder who is a body corporate, to a body corporate which is, in relation to such Noteholder, its holding company or subsidiary or another subsidiary of the holding company of such member; or</li><li>→ In the case of Notes held by a McCabe Party (being each of Kevin McCabe, Scott McCabe, Simon McCabe and certain trusts settled by Kevin McCabe, to HBOS.</li></ul>
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## 10.3 Lock-in Agreements

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<b>Parties</b>	The Responsible Entity and the Company (together "Valad") and each covenantor ("Covenantor").
<b>Covenantors</b>	Each of Didier Tandy, Stephen McBride, Cesidio Di Ciacca and John Burnley (each a "Selling Covenantor") Each of Mickola Wilson, Marcus Shepherd, Paul Oliver, David Seddon and Claire Treacey (or in certain cases, their nominees) (each a "Non-Selling Covenantor")

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The following summary applies to each lock-in agreement ("Lock-in Agreement").

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<b>Purpose</b>	The Covenantor agrees that the rights in respect of the Stapled Securities issued to the Covenantor ("Lock-in Securities") will be subject to the limitations in the Lock-in Agreement.
<b>Dealing in the Lock-in Securities</b>	<p>The Covenantor will not dispose of, or create security interest in, the Lock-in Securities:</p> <ul style="list-style-type: none"><li>→ In the case of the Selling Covenantor, from the date of the Lock-in Agreement to the date of the First Deferred Payment (as defined in the Sale and Purchase Agreement) is payable, being 28 September 2008; and</li><li>→ In the case of the Non-Selling Covenantor, from the date of the Lock-in Agreement to one year after the date of completion of the Acquisition ("Initial Period").</li></ul> <p>The Covenantor will not dispose of, or create security interest in, 50 per cent of the Lock-in Securities:</p> <ul style="list-style-type: none"><li>→ In the case of the Selling Covenantor, from the date of the First Deferred Payment to the date of the Second Deferred Payment (as defined in the Sale and Purchase Agreement) is payable being 28 September 2009; and</li><li>→ In the case of the Non-Selling Covenantor, for a period of one year immediately following the Initial Period.</li></ul>
<b>Exceptions</b>	<p>The Lock-in Agreement does not prohibit certain transactions (including participating in any scheme or reconstruction of VPG or where required to transfer or dispose of securities by law), and in the case of the Non-Selling Covenantor, the restrictions contained in the Lock-in Agreement do not apply in certain additional circumstances (including transfers for bona fide purposes with the Chairman's consent or in circumstances where their employment terminates following death and ill health).</p> <p>Certain other parties will execute a less restrictive form of Lock-in Agreement, including John Sims, Gilles Vaissie and Michael Bruhn (or their nominees). These Lock-in Agreements are substantially similar to the Lock-in Agreements in respect of the Non-Selling Covenantors excepting that the restrictions cease to apply if their employment or engagement to provide services with the Group terminates for any reason whatsoever.</p>

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## 10.4 Non-compete Deeds

<b>Parties</b>	VFML and each covenantor ("Covenantor").
<b>Covenantors</b>	Each of Kevin McCabe, Simon McCabe, Scott McCabe and the trustees of the White House Trust 1992 Trust and the White House IIP Trust (being discretionary trusts settled by Kevin McCabe) ("McCabe Covenantor").  Each of Stephen McBride, Didier Tandy and Cesidio Di Ciacca ("Other Covenantor").
The following summary applies to each non-compete deed ("Non-compete Deed")	
<b>Purpose</b>	The Covenantors are the registered holders of shares being sold to Bidco under the Sale and Purchase Agreement. In order to protect the goodwill and the value of the Acquisition, the Covenantor will enter into the Non-compete Deed.
<b>Non-compete</b>	For a period of 30 months from the closing of the Acquisition ("Acquisition Closing Date"), the Covenantors must not be engaged or involved in any business or activity which is involved in property within the United Kingdom and the European Economic Area and any other jurisdiction in which a member of the VFML Group is operating or planning to operate as at the Acquisition Closing Date or has operated at any time in the 24 months preceding the Acquisition Closing Date (in relation to the McCabe Covenantors only, other than Hong Kong, China, Taiwan and in relation to a McCabe Covenantor's dealings with Fraser and Neave Limited only, Singapore).
<b>Non-solicitation</b>	For a period of 30 months from the Acquisition Closing Date, the Covenantor will not: → Solicit or induce any employee or officer of or to the VFML Group to work for the Covenantor; or → Offer to employ any person who was employed by the VFML Group during the 12 months ending on the Closing Date, or solicit or induce any such person to terminate their employment with the VFML Group.
<b>Permitted activities</b>	The Non-compete Deeds do not prohibit certain activities, including but not limited to making personal investments, holding certain directorships, or holding interests not exceeding 5% in listed entities substantially similar to the business of the Target Group.
<b>Right of first refusal</b>	In the case of the McCabe Covenantor, for a period of 30 months from the Acquisition Closing Date: → If an asset with a value in excess of £10,000,000 is proposed to be disposed; or → If an asset with a value in excess of £5,000,000 is identified and it has agreed to acquire such asset,  it must first give notice to VFML and VFML shall have the first right to buy the asset, subject to any statutory third party rights and compliance with the timetable set for exercising its first refusal rights.

# → 10 MATERIAL DOCUMENTS

## 10.5 Principal Bank of Scotland Facilities in relation to the Target Group

The principal financing facilities in relation to the Target Group are provided by the Bank of Scotland, and, broadly, comprise:

- (a) a £325 million revolving credit facility (of which approximately £275 million is allocated to AMP and the remainder to SDG) dated 16 October 2003 (as amended). The bank loans are secured by a debenture over the group's assets and cross-guarantees with its subsidiaries, with the final repayment date being 30 September 2013;
- (b) €750 million senior and €100 million mezzanine facilities in relation to the SCP business dated 21 October 2005 (as amended) for a term which is three years after the first funding under the agreement. The bank loans are secured by a share pledge over the shares of each group company, a legal mortgage over each real estate asset held by the group, an assignment of the rental income from the real estate assets held by the group and a pledge over the bank accounts into which income from the real estate assets of the group is paid; and
- (c) a €175 million facility in relation to ScEuro dated 28 February 2007 secured by a charge over ScEuro's assets (and those of its subsidiaries) and for a term which is three years after the first funding under the agreement.

Each of the facilities contain "change of control" default events which may be triggered in connection with the transaction. The Bank of Scotland has confirmed in writing its consent in relation to the Acquisition.

### Agreement relating to the Entitlement Offer

## 10.6 Underwriting Agreement

<b>Joint Underwriters and Lead Manager</b>	The Issuers have entered into an underwriting agreement with JPMorgan, Macquarie Equity Capital Markets and UBS AG (each an Underwriter) to underwrite the Entitlement Offer (Underwriting Agreement). JPMorgan has also been appointed Lead Manager.
<b>Sub-underwriters, co-managers, brokers and third party investors</b>	<p>The Underwriters may appoint other sub-underwriters to sub-underwrite the remaining New Securities.</p> <p>JPMorgan, as Lead Manager, may appoint co-managers and brokers to the Offer to act on behalf of the Issuers.</p> <p>The Vendors and Selected Senior Management may acquire part of the shortfall under the Institutional Entitlement Offer or the Retail Entitlement Offer</p>
<b>Initial and Final Allotment</b>	The Initial Allocation includes an Institutional Entitlement Offer. The Final Allocation consists of a Retail Entitlement Offer. On both the Initial Allotment Date and the Final Allotment Date the Underwriters will pay for their proportion of any respective shortfall securities (as calculated and defined by the Underwriting Agreement).
<b>Underwriting and Management Fees</b>	Calculation of these fees and the identity of the recipients are described in Section 11.11.
<b>Underwriters' expenses in connection to the Offer</b>	Costs, charges and expenses of and incidental to the Offer borne by an Underwriter, will be reimbursed by the Issuers.
<b>Issuers' Indemnification</b>	The Issuers indemnify the Underwriters, each of their respective related bodies corporate and each of their respective officers, employees, agents and advisers against all losses, liabilities, claims, damages, costs, charges and expenses incurred or suffered directly or indirectly in connection with the Offer or the Underwriting Agreement. The indemnity is subject to limitations in cases of fraud, negligence or wilful misconduct by the Underwriters.

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**Representations, warranties and undertakings of the Issuers**

The representations, warranties and undertakings include the following:

- there are no omissions from the Offer Document of information required by the Corporations Act and the Offer materials will not contain any statements which are misleading or deceptive;
- to immediately notify the Underwriters of any breach of representation, warranty or undertaking given by it under the Underwriting Agreement;
- not to, before completion, commit, be involved in or acquiesce in any activity which may breach:
  - the Corporations Act;
  - the Listing Rules;
  - the Constitutions;
  - the Responsible Entity's constitution;
  - any legally binding requirement of ASIC or ASX; or
  - any other applicable law; or
- to carry on its business, and procure that the Company, the Trust and their respective subsidiaries carry on their business in the ordinary course, until completion of the Offer.

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**Termination of the Underwriting Agreements**

An Underwriter may terminate its ongoing obligations under the Underwriting Agreement by notice to the Issuers and the other Underwriters at any time before all of the New Securities have been issued upon the occurrence of any one of a number of events, including where the S&P/ASX 200 Index or S&P/ASX 200 Property Index falls below 10% of the level as at the close of trading on the day immediately preceding the date of the Underwriting Agreement.

The Underwriters can terminate the Underwriting Agreement if the Issuers materially fail to comply with any of their obligations under the Underwriting Agreement, or any representation or warranty by the Issuers in the Underwriting Agreement is or becomes materially incorrect.

The Underwriters are also permitted to terminate the Underwriting Agreement if there is a material adverse change in the condition, financial or otherwise, or in the assets, earnings, business, results of operations, management prospects of the Company, the Trust and their respective subsidiaries from that described in the Offer Document.

Other events which, if material, may lead to a termination of the Underwriting Agreement include a disruption to the political conditions or financial markets in Australia, Japan, the United Kingdom, the United States of America or the Republic of China; and any change or development involving a prospective change in national or international political, financial or economic conditions.

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→ **11** *ADDITIONAL*  
*INFORMATION*

## 11.1 Constitution of Valad Property Trust (the Trust)

The Trust is a registered managed investment scheme. The Responsible Entity is Valad Commercial Management Limited. The main rules governing the operation of the Trust are set out in the Trust Constitution which is dated 11 October 2002 amended by seven supplemental deeds dated 23, 29 and 30 October 2002, 22 October 2004, 15 November 2005, 19 October 2006 and 25 June 2007. The Corporations Act, exemptions and declarations given by ASIC, the Listing Rules (subject to waivers), and the general law of trusts are also relevant to the rights and obligations of the Responsible Entity and of the Stapled Securityholders (in this summary, referred to as members).

The main provisions of the Trust Constitution that deal with the rights and obligations of members are:

<b>Units</b>	A fully paid Unit confers an equal undivided interest in the Trust's assets. The Trust Constitution contemplates the issue of partly paid Units, but this is not proposed as part of the Offer.
<b>Stapling</b>	The Trust Constitution provides for the stapling of one Unit in the Trust to one Share in the Company with the intention that they be treated as a single Security. See also the summary of the Stapling Deed in Section 11.3.
<b>Income</b>	Subject to the terms of issue of particular Units, members are entitled to receive a distribution of the Trust's income in proportion to their unitholding. Unless otherwise determined by the Responsible Entity and subject to certain adjustments, the distributable income of the Trust is its taxable income. Unless distributions are required to be reinvested, the Responsible Entity will pay them within two months of the end of the relevant period. The distributable income of the Trust for a financial year must be distributed within two months after the end of the financial year.
<b>Transfer</b>	Units may only be transferred as part of Stapled Securities. Any Stapled Securities classified as "restricted securities" under the Listing Rules may not be transferred during the escrow period.
<b>No redemption</b>	There is no right to redeem Units while the Trust is listed on ASX.
<b>Termination</b>	If the Trust is terminated, members are entitled to receive the amount remaining in the Trust after deduction of liabilities and expenses of the Trust in proportion to their unitholding. The Trust terminates on the earliest of: the date specified by the Responsible Entity as the date of termination of the Trust in a notice given to members; or the date on which the Trust terminates in accordance with the Trust Constitution or by law.
<b>Members' liability</b>	Unless a member incurs any liability for tax or "user pays" fees or makes a separate agreement with the Responsible Entity, their liability is limited to the amount which remains unpaid for their Units. User pays fees is defined as any cost incurred in relation to an entitlement to a payment to or from the Trust in respect of a member or any act or omission requested by a member which the Responsible Entity considers should be borne by that member.
<b>Meetings</b>	Members' right to requisition, attend and vote at meetings are mostly prescribed by the Corporations Act. The Trust Constitution provides that the quorum for a meeting is normally two members holding at least 10% of Units on issue. It allows meetings by electronic means including telephone. While stapling applies meetings may be held in conjunction with meetings of the holders of the Shares.
<b>Powers of Responsible Entity</b>	Subject to the Trust Constitution, the Responsible Entity has all the powers in respect of the Trust that are possible under law to confer on a trustee. The Responsible Entity has powers to invest and borrow subject to the Trust's principal investment policy, which is to invest directly or indirectly in real property, although the Responsible Entity may invest unutilised funds in other types of assets. The policy may be changed on reasonable notice to members. The Responsible Entity also has power to issue options over Units on such terms as it determines.
<b>Duties of Responsible Entity</b>	The Responsible Entity's duties as Responsible Entity are mainly contained in the Corporations Act. In carrying out its duties and exercising its powers, it may have regard to the interests of the Stapled Securityholder as a whole and not only to the interests of members of the Trust.

# → 11 ADDITIONAL INFORMATION

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<b>Rights of Responsible Entity</b>	<p>The Responsible Entity may recover out of the assets of the Trust, expenses incurred in proper performance of its duties in respect of the Trust. The Trust Constitution also authorises the Responsible Entity to charge the following fees:</p> <ul style="list-style-type: none"><li>→ A management fee equal to the Responsible Entity's reasonable estimate of its costs, including all overheads and whether incurred directly by the Responsible Entity or reimbursed by the Responsible Entity to any of its related bodies corporate, in providing its services as Responsible Entity for which it is not otherwise reimbursed under the Trust Constitution</li><li>→ An application fee of 2% of the Application Monies to be paid by the applicant in respect of each application for units in the Trust which it accepts</li><li>→ An acquisition fee equal to 1.5% of the acquisition price of properties acquired by the Trust, either by direct purchase or indirectly through an acquisition of units or other interests in a trust.</li></ul> <p>The Responsible Entity may also:</p> <ul style="list-style-type: none"><li>→ Take and act upon advice from any counsel or solicitors, bankers, accountants, auditors, valuers and other persons</li><li>→ Value the assets of the Trust at any time (at market value unless it determines otherwise)</li><li>→ Hold Units in any capacity, contract with itself, the Company, any associate or any member, and may be interested in such contracts</li><li>→ Retire as Responsible Entity as permitted by law</li><li>→ Amend the Constitution, but only with members' approval, unless the change will not adversely affect members' rights.</li></ul>
<b>Liability of Responsible Entity</b>	<p>The Responsible Entity is not liable in contract, tort or otherwise to members for any loss suffered relating to the Trust except to the extent that the Corporations Act imposes such liability. The Responsible Entity is entitled to be indemnified out of assets of the trust for any liability it incurs in properly performing or exercising any of its powers or duties in relation to the Trust.</p>

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## 11.2 Constitution of Valad Funds Management Limited (the Company)

The Company is an Australian public company registered under the Corporations Act. The main rules governing the operation of the Company are set out in the Company Constitution which is dated 24 September 2002 amended by resolution dated 19 October 2006.

Provisions of the Corporations Act, exemptions and declarations given by ASIC and the Listing Rules (subject to waivers) affect the interpretation of the Company's Constitution, and the rights and obligations of the Company and its directors and members (in this summary, referred to as members).

The Company Constitution contains provisions dealing with:

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<b>Stapling</b>	<p>The Company Constitution provides for the stapling of one Share in the Company to one Unit in the Trust with the intention that they be treated as a single security. See also the summary of the Stapling Deed in Section 11.3.</p>
<b>Issue of Shares</b>	<p>The issue of Shares is under the control of the directors of the Company and, subject to any restrictions under the Company Constitution, the Listing Rules or the Corporations Act, the directors may issue or dispose of Shares on such terms and conditions as they see fit.</p> <p>The Directors may not allot or issue an ordinary Share in the Company unless there is an issue at the same time of a Unit to form a Stapled Security.</p>
<b>Transfer of Shares</b>	<p>A transfer of Shares will only be accepted if the transfer relates to, or is accompanied by, a transfer of Units in favour of the same transferee. Any Stapled Securities classified as "restricted securities" under the Listing Rules may not be transferred during the escrow period.</p>

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<b>Variation of class rights</b>	Whenever the capital of the Company is divided into different classes of Shares, the rights attached to any class of Share may be varied with the sanction of a special resolution passed at a separate meeting of the holders of the Shares of that class or with the written consent of the holders of at least three-quarters of the nominal value of the Shares of that class.
<b>Voting</b>	Subject to any special rights or restrictions for the time being attached to any class of Shares in the Company, each member present in person or by proxy, representative or attorney has one vote on a show of hands and one vote for each fully-paid Share held by that member on a poll.
<b>Dividends</b>	Subject to the Corporations Act, the Company Constitution and the rights of persons entitled to Shares with special rights to dividends, the directors may determine that a dividend is payable, fix the amount and the time for payment, and authorise the payment or crediting by the Company to, or at the direction of, each member entitled to that dividend. If a dividend is paid, the same sum will be paid on each Share and will be paid in proportion to the number of Shares held. Interest is not payable in respect of any dividend. An amount due and payable by a member to the Company may be deducted from the dividend payable to that shareholder.
<b>Winding up rights</b>	If the Company is wound up, the liquidators may with the authority of a special resolution divide among the members in kind the whole or any part of the property of the Company and for such purpose may set such value as the liquidator considers fair on any property and may determine how the division shall be carried out as between members or different classes of members.
<b>Meetings</b>	Annual general meetings of the Company are to be held in accordance with the Corporations Act. The directors may convene meetings in conjunction with a meeting of holders of the Units.  The quorum for a meeting is normally two members holding at least 10% of Shares on issue.
<b>Directors</b>	The minimum number of directors is three and the maximum number is eight. At each annual general meeting one-third of the directors for the time being and any other director who has held office for three years or more must retire from office. A retiring director is eligible for re-election.
<b>Remuneration of directors</b>	The directors are entitled to be remunerated for their services as directors and the total amount or value of the remuneration must not exceed the sum of \$650,000 per annum or such greater amount as determined in general meeting. The directors are also entitled to be reimbursed out of the funds of the Company for such reasonable travelling, accommodation and other expenses.
<b>Powers and duties of directors</b>	The business of the Company is to be managed by the directors, who may exercise all such powers of the Company as are not, by the Corporations Act or by the Company Constitution, required to be exercised by the Company in general meeting. To the extent permitted by law, the directors may have regard to the interests of holder of Units and must act in the best interests of the Group as a whole rather than only in the interests of the Company. The directors may borrow or raise money, to charge any property or business of the Company or all or any of its uncalled capital and to issue debentures or give any other security for a debt, liability or obligation of the Company or of any other person.
<b>Directors – voting</b>	Questions arising at a directors' meeting will be decided by a majority of votes of directors present and eligible to vote. The chairman of the meeting does not have a casting vote.
<b>Director's indemnity</b>	The Company may, subject to certain exceptions set out in the Company Constitution, indemnify each of its current or former directors, company secretaries or executive officers against every liability incurred by the person in that capacity (except a liability for legal costs) and all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of that capacity unless the Company is forbidden by statute to indemnify or an indemnity by the Company would, if given, be made void by statute.

# → 11 ADDITIONAL INFORMATION

## 11.3 Stapling Deed

<b>Parties</b>	The Responsible Entity and the Company (dated 29 October 2002).
<b>Purpose</b>	Sets out the terms and conditions of the relationship between the Responsible Entity and the Company in respect of the Units and the Shares that comprise the Stapled Securities.
<b>Stapling</b>	The Units and Shares will remain stapled unless special resolutions of Stapled Securityholders approve unstapling.
<b>Cooperation and consultation</b>	<p>The Responsible Entity and the Company agree to make available to each other all information in their possession as may be necessary or desirable to fulfil their respective obligations relating to the Stapled Securities.</p> <p>The Responsible Entity and the Company agree to cooperate with each other in respect of all matters relating to the Stapled Securities including but not limited to:</p> <ul style="list-style-type: none"><li>→ Providing information to investors which is required to be provided or disclosed by law or the Listing Rules or which it is reasonably desirable to provide</li><li>→ Co-ordinating their disclosure to ASX and investors</li><li>→ Adopting consistent accounting and valuation policies</li><li>→ Taking a consistent approach on proposed investments and keeping each other properly informed of their investment policies and any changes to those policies</li><li>→ Holding investors' meetings concurrently or where necessary consecutively</li><li>→ Agreeing on the terms and timing of all new issues, bonus and rights issues, placements, redemptions and buybacks</li><li>→ Consulting before taking any action (or omitting any action) which may materially affect the value of the Stapled Securities</li><li>→ Co-ordinating the announcement and payment of dividends and distributions</li><li>→ Co-ordinating any dividend or distribution re-investment plan.</li></ul>
<b>Dealings in Stapled Securities</b>	<p>The Company must not offer any Shares for subscription or sale unless an offer is made by the Responsible Entity at the same time and to the same person for an identical number of Units for issue or sale (and vice versa).</p> <p>The Company must not issue a Share or any right or option to acquire any Share unless the Responsible Entity issues a corresponding Unit, right or option to acquire a Unit (and vice versa).</p> <p>The Company must not cancel, buy-back or redeem a Share unless the Responsible Entity cancels, buys-back or redeems a corresponding Unit (and vice versa).</p> <p>The Company must not register any transfer of Shares unless there is a matching transfer of Units (and vice versa).</p>
<b>Acquisitions, disposals and borrowings</b>	The Responsible Entity and the Company must give 15 days written notice to and consult with the other regarding its intention to acquire or dispose of an asset the value of which is 5% or greater of the net tangible assets of the Trust or the Company (as the case requires) at the time of giving notice.
<b>Allocation of Application Price</b>	The Responsible Entity and the Company must agree what proportion of the Application Price or redemption/buy-back price of a Stapled Security is allocated to each of the Trust and the Company. The allocation is to be by reference to the net assets of each entity, adjusted for the net market value of their investments.
<b>Registers</b>	The Responsible Entity and the Company must maintain or procure the maintenance of a register of Stapled Securities.

<b>Duties</b>	When carrying out their duties, the Responsible Entity and the Company may consider the interests of holders of Stapled Securities as a whole not only the interests of the members of Trust and the Company separately.
<b>Dispute Resolution</b>	If there are any disagreements about stapling issues, the Responsible Entity and the Company must use their best efforts to resolve them and negotiate in good faith before starting court proceedings.

#### 11.4 Custodian Deed

<b>Parties</b>	The Responsible Entity and Trust Company Limited ( <b>Custodian</b> ) (dated 11 October 2002 and amended on 13 April 2004).
<b>Purpose</b>	Appoints the Custodian to hold the Trust's property on the Responsible Entity's behalf, and also covers property of controlled sub-trusts. The Custodian will act in accordance with the instructions of the Responsible Entity. The terms of the Custody Deed include the specific requirements of ASIC policy.

#### 11.5 ASIC Modifications

ASIC has granted relief from the Corporations Act to allow Application Monies to be held in a single trust account.

#### 11.6 ASX Waivers

The following waivers have been granted by ASX:

- A waiver from Listing Rules 3.20 and 7.40 to the extent necessary to permit the Issuers to conduct the Offer in accordance with a timetable approved by ASX
- A waiver to allow the Issuers to ignore changes in holdings in Stapled Securities which occur after the announcement of the Offer and prior to the Record Date for the purposes of determining Stapled Securityholders' entitlements to new Stapled Securities
- A waiver in respect of holdings of Stapled Securities registered in the name of a nominee so that the nominee is treated as a separate Stapled Securityholder in respect of the Stapled Securities held for one or more institutional investors and the Stapled Securities held for persons other than institutional investors, and the Institutional Entitlement Offer to be treated as being made to the nominee, and therefore to an institution or client for whom it holds, even when made directly to the institution or client for whom it holds
- A waiver or confirmation that Listing Rules 7.1 and 10.11 do not apply on the issue of Stapled Securities issued under the Entitlement Offer. However, New Securities issued to the Vendors will be counted towards the Issuer's placement capacity under Listing Rule 7.1 unless the ASX decides otherwise
- Confirmation that Listing Rule 10.11 does not apply to the issue of Stapled Securities to Kevin McCabe;
- Confirmation that Listing Rule 10.1 does not operate in relation to the Acquisition

- Confirmation that Listing Rule 9.1 does not apply to new Stapled Securities issued to the Vendors; and
- Confirmation that ASX will not require the approval of Stapled Securityholders under Listing Rule 11.1 and the Issuers will not be required to meet afresh the requirements in Chapters 1 and 2 of the Listing Rules as if the Issuers were applying for admission to the Official List.

The ASX has indicated in principle that it is agreeable to Stapled Securities being classified as For Financial Products under the ASTC Settlement Rules which will be included in Schedule 1 of the ASTC Settlement Rules. If final agreement is reached with ASX, ASTC will implement certain additional procedures to ensure that relevant participants in ASX's market are aware that certain US Persons may not purchase or hold Stapled Securities

#### 11.7 Compliance plan and procedure

The Compliance plan for the Trust sets out the arrangements and measures that the Responsible Entity will apply in operating the Trust to ensure compliance with the Corporations Act and the Trust Constitution.

Following the Acquisition, the board of the Responsible Entity will no longer be comprised of at least half external directors, so a compliance committee will be appointed for the Trust. The committee will oversee the compliance process set out in the compliance plan.

# → 11 ADDITIONAL INFORMATION

## 11.8 Complaint Handling Procedure

Client services consultants are available between 8.00am and 6.00pm (Sydney time), from Monday to Friday, by calling 1300 650 320. For investment advice, please contact your financial adviser. If you have a concern, please write to the Group at the address set out below or call the Complaints Manager to register your complaint by telephone on 1800 825 321. The Group will acknowledge your concern, investigate it and report back to you. The Group's address is:

Complaints Handling Officer  
Valad Commercial Management Limited  
PO Box N817  
Grosvenor Place NSW 1220

If your complaint is not resolved in 45 days you may have the right to raise the matter directly with the Financial Industry Complaints Service (FICS). FICS' contact details are:

PO Box 579  
Collins Street West  
Melbourne VIC 8007  
Telephone: 1300 780 808

The Responsible Entity is a member of FICS.

## 11.9 Corporate Governance

The ASX Corporate Council has set out a number of recommendations for best practice with respect to good corporate governance. As noted in the Valad 2006 annual report, the Group has achieved substantial compliance with those recommendations.

Further details of the Group's corporate governance policies can be found on the Group's website at [www.valad.com.au](http://www.valad.com.au).

## 11.10 Interests of Directors

Other than as set out in this Offer Document, no director, or proposed director of the Responsible Entity or the Company, holds, at the time of lodgement of this Offer Document with ASIC, or has held in the two years prior to that date, an interest in the formation or promotion of the Group, any property acquired or proposed to be acquired by the Group in connection with its formation or promotion or the Offer, other than in their capacity as a Securityholder.

Other than as set out in this Offer Document, no one has paid or agreed to pay any amount or given or agreed to give any benefit to any director or proposed director of the Responsible Entity or the Company to induce them to become, or qualify them as, a director of the Responsible Entity or the Company, or for services provided by the person in connection with the formation or promotion of the Group or the Offer.

As at the date of this Offer Document, the following Directors hold the following interests in the Stapled Securities either directly or indirectly:

### Valad Property Group – Summary of Directors' Holdings as at 22 June 2007

	SECURITIES HELD	OPTIONS & PERFORMANCE RIGHTS	TOTAL
Stephen Day*	7,591,838	1,000,000	8,591,838
Peter Hurley*	7,591,838	1,000,000	8,591,838
Trevor Gerber	302,808		302,808
Robert Seidler	125,000		125,000
Andrew Martin	25,000		25,000
<b>Total</b>	<b>15,636,484</b>	<b>2,000,000</b>	<b>17,636,484</b>

\* The Board has agreed to grant further options to Stephen Day and Peter Hurley, in accordance with their remuneration agreements, subject to approval of members at a general meeting.

## 11.11 Interests of Professional Advisers and Experts

Other than as set out in this Offer Document no person named in this Offer Document as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Offer Document and no promoter of the Group or Underwriter of the Offer or financial services licensee named in this Offer Document as a financial services licensee involved in the Offer, holds at the date of this Offer Document, or has held in the two years prior to that date, an interest in the formation or promotion of the Group, any property acquired or proposed to be acquired by the Group in connection with its formation or promotion or the Offer, nor has anyone paid or agreed to pay any amount, or given or agreed to give any benefit, to such persons for services provided in connection with the formation or promotion of the Group or the Offer.

Mallesons Stephen Jaques is entitled to be paid approximately A\$380,000 (plus GST and disbursements) in fees and charges for legal services rendered to the Group up to the date of this Offer Document in connection with the Offer. Further amounts may be paid in accordance with its normal time based charges.

PricewaterhouseCoopers Securities Ltd (PwC Ltd) is entitled to be paid approximately A\$1.1 million (plus GST and disbursements) in fees and charges for preparing the Investigating Accountant's Report (see Appendix B) and for financial due diligence services rendered to the Group up to the date of this Offer Document in connection with the Offer. Further amounts may be paid in accordance with its normal time based charges.

PricewaterhouseCoopers (PwC) is entitled to be paid approximately A\$1.4 million (plus GST and disbursements) in fees and charges for preparing the Taxation Report (Appendix A) and for taxation due diligence services rendered to the Group up to the date of this Offer Document in connection with the Offer. Further amounts may be paid in accordance with its normal time based charges.

JPMorgan has acted as Financial Adviser, Lead Manager and Underwriter for the Offer. JPMorgan is entitled to receive fees and commissions of A\$20.9 million.

UBS has acted as an Underwriter for the Offer. UBS AG is entitled to receive fees and commissions of A\$8.0 million.

Macquarie Equity Capital Markets has acted as an Underwriter for the Offer. Macquarie Equity Capital Markets is entitled to receive fees and commissions of A\$8.0 million.

Citigroup Global Markets Australia Pty Limited (Citi) has acted as co-manager for the Offer.

## **11.12 Consents**

### **Experts' Consent**

PwC Ltd has given and not withdrawn, as at the date of this Offer Document, its written consent to be named in this Offer Document in the form and context in which it appears and to the inclusion of the Investigating Accountant's Report in Appendix B. PwC Ltd has not authorised or caused the issue of this Offer Document and takes no responsibility for any part of this Offer Document other than its report.

PwC has given and not withdrawn, as at the date of this Offer Document, its written consent to be named in this Offer Document and to the inclusion of the Taxation Report in the form and context in which it appears in Appendix A. PwC has not authorised or caused the issue of this Offer Document and takes no responsibility for any part of this Offer Document other than its report.

### **Naming Consents**

JPMorgan, UBS, Macquarie Bank Equity Markets, Citi, HBOS, Mallesons Stephen Jaques, Scarborough, Teesland, the Registry and the Custodian have each given, and not withdrawn as at the date of this Offer Document, their consent to be named in this Offer Document in the form and context in which they are named. None of them has authorised or caused the issue of this Offer Document and do not make, or purport to make, any statement in this Offer Document.

## **11.13 Directors' Consent**

Each director of the Company and each director of the Responsible Entity has given and not withdrawn as at the date of this Offer Document, their consent to the issue of this Offer Document and its lodgement with ASIC.

## **11.14 Continuous Disclosure**

The Trust and the Company are disclosing entities for the purposes of the Corporations Act and are therefore subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules including the preparation of annual and half-yearly reports.

These obligations require the Trust and the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, each of the Trust and the Company has an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information of which it becomes aware which a reasonable person would expect to have a material effect on the price or value of the Stapled Securities. That information is available to the public from ASX.

Copies of documents lodged in relation to the Trust and the Company may be obtained from, or inspected at, an office of ASIC.

The Responsible Entity will provide a copy of each of the following documents free of charge, to any person who requests a copy before the Closing Date:

- The Group's 2007 Half-Yearly Report for the financial half-year ending 31 December 2006;
- The Group's 2006 Annual Report for the financial year ending 30 June 2006;
- Any continuous disclosure notices given by the Group after lodgement of the annual financial report referred to above and before lodgement of this Offer Document with ASIC.

The Responsible Entity has prepared policies documenting how it will determine any variable components of the price of Units for this and any future issues of Stapled Securities. Copies of the policies will be available from the Responsible Entity free of charge.

All requests for copies of the above documents should be made by contacting the Valad InfoLine 1300 650 320 (callers within Australia) or +61 2 8280 7104 (callers outside Australia).

# → 11 ADDITIONAL INFORMATION

## **11.15 Anti-money Laundering Provisions**

The Trust and the Company are bound by laws about the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cwlth) ("AML/CTF Laws"). By completing the Application Form, you agree that:

- You do not subscribe to the fund under an assumed name
- Any money used by you to invest in the Stapled Securities is not derived from or related to any criminal activities
- Any proceeds of your investment will not be used in relation to any criminal activities
- If we ask, you will provide us with additional information we reasonably require for the purposes of AML/CTF Laws (including information about a Securityholder, any beneficial interest in the Stapled Securities, or the source of funds used to invest)
- We may obtain information about you or any beneficial owner of a Stapled Security from third parties if we believe this is necessary to comply with AML/CTF Law; and
- In order to comply with AML/CTF Laws we may be required to take action, including:
  - delaying or refusing the processing of any application or withdrawal, or
  - disclosing information that we hold about you or any beneficial owner of the Stapled Securities to our related bodies corporate or service providers, or relevant regulators of AML/CTF Laws (whether in or outside Australia).

→ 12 GLOSSARY



## → 12 GLOSSARY

<b>ABN</b>	Australian Business Number
<b>ACN</b>	Australian Company Number
<b>Acquisition</b>	the acquisition by Bidco of all of (amongst other things) the issued share capital of TCL from the TCL Sellers and all of the issued shares of SCAMP not already owned by TCL from the SCAMP Sellers
<b>Acquisition Closing Date</b>	Closing date of the acquisition
<b>AEST</b>	Australian Eastern Standard Time
<b>Affiliate</b>	in relation to a company, any subsidiary or holding company of that company, and any subsidiary of a holding company of that company, in each case from time to time
<b>AFSL</b>	Australian Financial Services Licence
<b>AIFRS</b>	Australian Equivalent to International Financial Reporting Standards
<b>Allotment</b>	the issue of New Securities to successful Applicants
<b>Allotment Date</b>	the date on which New Securities are issued to successful Applicants
<b>AML/CTF Laws</b>	Anti-Money Laundering – Terrorism Financing Act 2006 (Cwlth)
<b>Ancient Mariner</b>	Ancient Mariner Properties Limited
<b>Applicant</b>	a person who submits an Application in accordance with the conditions set out in this Offer Document
<b>Application</b>	a valid application made on the conditions set out in this Offer Document by using an Application Form to apply for a specified number of New Securities
<b>Application Form</b>	each form accompanying this Offer Document, upon which an offer to subscribe for New Securities may be made
<b>Application Monies</b>	amount in payment of the Application Price in New Securities the subject of an Application
<b>Application Price</b>	fixed price application price for the purposes of the Offer at A\$1.92, for each New Security
<b>ARSN</b>	Australian Registered Scheme Number
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASTC</b>	ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532)
<b>ASX</b>	ASX Limited (ABN 98 008 624 691), or the security exchange operated by it as the context requires
<b>Auditor</b>	PricewaterhouseCoopers
<b>AUM</b>	assets under management
<b>Best Estimate</b>	assumptions as to future events which the senior management of Valad expect to take place, and the actions that the senior management expect to take as of the date of the Offer Document
<b>Bidco</b>	Valad TCL Holdings Limited (an English private limited company)
<b>Business Day(s)</b>	has the same meaning as in the Listing Rules
<b>CAGR</b>	compound annual growth rate

<b>CGT</b>	capital gains tax
<b>Citi</b>	Citigroup Global Markets Australia Pty Limited
<b>Closing Date</b>	the last day on which Application Forms will be accepted, being 5.00pm (AEST) on 17 July 2007 (subject to variation)
<b>Company Constitution</b>	the constitution of VFML, as summarised in Section 11.2
<b>Company or VFML</b>	Valad Funds Management Limited (ACN 102 249 294)
<b>Constitution</b>	the VPT Constitution and the VFML Constitution
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cwlth) as amended from time to time
<b>CPI</b>	Consumer Price Index
<b>Custodian</b>	Trust Company Limited (ABN 59 004 027 749)
<b>CY</b>	calendar year
<b>Debt</b>	debt may include Scarborough debt and Valad Property Group debt
<b>Directors</b>	the boards of directors of VFML and VCML
<b>DPS</b>	distribution per Security
<b>DRP</b>	distribution Reinvestment Plan of Valad
<b>E</b>	estimate
<b>EU</b>	European Union
<b>EBIT</b>	earnings before interest and tax
<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>Eligible Institutional Securityholder</b>	each Securityholder who, as of the Record Date: → Is not an Ineligible Securityholder → Is an Institutional Investor; and → Is entitled to receive an offer under the Institutional Entitlement Offer as agreed by the Issuers and the Underwriters under the Underwriting Agreement.
<b>Eligible Retail Securityholder</b>	Securityholders who, as of the Record Date: → Have a registered address in Australia or New Zealand → Are not a US Person or acting for the account or benefit of a US Person → Have not received an invitation to participate in the Institutional Entitlement Offer (either directly or indirectly as a nominee) → Do not hold Existing Securities as a result of post ex date transactions which are disregarded → Are not Ineligible Securityholders
<b>Eligible Securityholder</b>	means an Eligible Institutional Securityholder or an Eligible Retail Securityholder
<b>Entitlement</b>	the entitlement to 3 New Securities for every 4 Existing Securities in Valad held on the Record Date by persons eligible to participate
<b>Entitlement Offer</b>	the offer of 621.2 million New Securities to Eligible Securityholders pursuant to this Offer Document or International Offering Circular, as applicable

## → 12 GLOSSARY

<b>EPS</b>	earnings per Security
<b>EV</b>	enterprise value which is the combined equity and debt value of the business
<b>Existing Security or Securities</b>	Stapled Securities previously issued
<b>Existing Securityholders</b>	Holder of Stapled Securities on the Record Date
<b>Final Allocation</b>	Allocation of New Securities to Eligible Retail Securityholders at the Closing Date
<b>Final Allocation Date</b>	26 July 2007
<b>Final Allotment Date</b>	27 July 2007
<b>Forecasts or Financial Forecasts</b>	forecasts on the future financial position and financial performance of Valad over the forecast period
<b>Forecast Distribution Yield</b>	the rate of return derived by dividing the Distribution per Stapled Security, from the Allotment Date to 30 June 2008, by the Application Price
<b>Forecast Period</b>	the period from 1 July 2007 to 30 June 2008
<b>Forecast Yield</b>	the rate of return derived by dividing the Distribution per Stapled Security in the financial year ending 30 June 2008, by the Application Price
<b>Foreign Securityholders</b>	Securityholders on the Record Date with registered addresses outside Australia and New Zealand
<b>FUM</b>	funds under management
<b>FY</b>	financial year
<b>GLA</b>	gross lettable area
<b>Group</b>	Valad Property Group
<b>Group Company</b>	Valad and its subsidiaries
<b>GST</b>	goods and services tax
<b>HBOS</b>	HBOS plc (including its subsidiaries Halifax plc and the Bank of Scotland)
<b>HICP</b>	harmonised index of consumer prices
<b>HIN</b>	holder identification number
<b>Holdco</b>	Valad European Holdings Limited (an English private limited company)
<b>Holder</b>	a holder of New Securities
<b>Holding Statement</b>	statement issued to Holders by the Registry setting out their holdings of New Securities
<b>Impact of the Offer</b>	impact of the Offer on the Forecasts and Distributions per Stapled Security and pro forma statement of financial position as at 31 December 2006 adjusted for the effects of the Offer
<b>Independent Valuations</b>	the property valuations of the property portfolios conducted as part of the Acquisition due diligence

<b>Ineligible Securityholders</b>	those Securityholders as at the Record Date with registered addresses outside Australia and New Zealand (including Securityholders in the United States or who are US Persons (other than QIBs who are also QPs) and Securityholders who hold for the account or benefit of US Persons) to whom the Issuers decide it is unreasonable to make the Offer
<b>Initial Allocation</b>	initial allocation of New Securities to Institutional Investors and participating Eligible Retail Securityholders at the Initial Allocation Date
<b>Initial Allocation Date</b>	5 July 2007
<b>Initial Allotment Date</b>	10 July 2007
<b>Institutional Entitlement Offer</b>	the offer of New Securities to Eligible Institutional Securityholders as described in Section 2
<b>Institutional Entitlement Offer Date</b>	25 June 2007
<b>Institutional Entitlement Offer Period</b>	the period between 25 June 2007 and 26 June 2007
<b>Institutional Investor</b>	means a person to whom an offer of New Securities may lawfully be made without the need for a lodged disclosure document or other filing with or approval by a governmental agency in accordance with Chapter 6D and Chapter 7 of the Corporations Act or any comparable law or regulation in any foreign jurisdiction; provided, however, that with respect to an offer of New Securities to persons in the United States or to, or for the account or benefit of, a US Person, such a person must be a QIB and also a QP
<b>Institutional Offering Circular</b>	means the institutional offering circular dated 25 June 2007, under which the Institutional Entitlement Offer is being extended to QIBs who are also QPs and certain other Eligible Institutional Securityholders
<b>Institutional Securityholder</b>	a Securityholder as at the Record Date who is an Institutional Investor
<b>IPD</b>	International Property Databank
<b>IRR</b>	the discount rate that results in a net present value of zero for a series of future cash flows. The internal rate of return is generated by an investment over its life or a given timescale, taking into account the purchase price and sale proceeds and all cash flows associated with the holding. Unless otherwise stated, an IRR where quoted in this PDS is on a pre-tax post-fees and expenses basis
<b>Issue</b>	the issue of New Securities pursuant to this Offer Document
<b>Issuers</b>	Valad Commercial Management Limited (ACN 101 802 046), as the Responsible Entity for Valad Property Trust (ARSN 102 618 824), and Valad Funds Management Limited (ACN 102 249 294)
<b>JPMorgan</b>	J.P. Morgan Australia Limited (ABN 52 002 888 011)
<b>Lead Manager</b>	JPMorgan
<b>Listing Rules</b>	the official listing rules of ASX and any other rules of ASX which are applicable while the Trust and Valad is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any written waiver granted by ASX
<b>LSE</b>	London Stock Exchange plc's Market for listed securities
<b>Macquarie Equity Capital Markets</b>	Macquarie Equity Capital Markets Limited ABN 60 001 374 572

## → 12 GLOSSARY

<b>New Securities</b>	the Stapled Securities to be issued pursuant to this Offer Document
<b>NLA</b>	net lettable area
<b>Noteholder</b>	holder of loan notes
<b>NTA</b>	net tangible assets
<b>Offer</b>	the Entitlement Offer, Priority Offer, and Public Offer
<b>Offer Document</b>	this offer document, which comprises a product disclosure statement and a prospectus in relation to the Offer
<b>Offer Period</b>	in relation to the Retail Entitlement Offer and the Public Offer means the period from 2 July 2007 to 17 July 2007
<b>Offer Securities</b>	the New Securities being offered being 3 New Securities for each 4 Stapled Securities on the Record Date and includes the Institutional Entitlement Offer Securities and the Retail Entitlement Offer Securities
<b>PDS</b>	product disclosure statement
<b>Placement</b>	placement to Vendors and Selected Senior Management
<b>Priority Offer</b>	the offer of New Securities which are not subscribed for by Eligible Securityholders under the Entitlement Offer, will be available to Eligible Securityholders on the Record Date that apply for New Securities in excess of their Entitlement
<b>Public Investors</b>	members of the public who reside in Australia
<b>Public Offer</b>	the offer of New Securities which are not subscribed for by Eligible Securityholders under the Entitlement Offer or Priority Offer
<b>QIB</b>	a "qualified institutional buyer" as defined in Rule 144A
<b>QP</b>	a "qualified purchaser" as defined in Section 2(a)(51) of the US Investment Company Act
<b>Record Date</b>	29 June 2007
<b>Register</b>	the official recording of interests in the Trust and Company
<b>Registry</b>	Link Market Services Limited (ABN 54 083 214 537)
<b>Regulation D</b>	Regulation D under the US Securities Act
<b>Regulation S</b>	Regulation S under the US Securities Act
<b>Responsible Entity</b>	Valad Commercial Management Limited (ACN 101 802 046), the holder of AFSL number 223339, as the Responsible Entity for the Trust under Part 5C of the Corporations Act
<b>Retail Entitlement Offer</b>	the offer of New Securities to Eligible Retail Securityholders as described in Section 2
<b>Rule 144A</b>	Rule 144A under the US Securities Act
<b>Sale and Purchase Agreement</b>	the sale and purchase agreement relating to the sale and purchase of (amongst other things) the entire issued share capital of TCL, all of the issued shares in the share capital of SCAMP not already owned by TCL and 50% of the issued share capital of ScEuro Holdings B.V. dated 25 June 2007 between Bidco, VFML, Valad Belgium Holdings NV, Scarborough Investment Holdings BV, the TCL Sellers, the SCAMP Sellers and SDG (Properties) Limited
<b>SCAMP</b>	SCAMP Holdings Limited (an English private limited company)

<b>SCAMP Sellers</b>	Uberior Investments plc, Didier Tandy, Stephen McBride, Cesidio Di Ciacca, John Burnley, the trustees of the Scarborough Executive Pension Scheme and Craftglen Limited
<b>Scarborough</b>	Scarborough is comprised of the following interests: → 100% of TCL and SCAMP (which holds a 100% interest in Ancient Mariner Properties, 100% of SDG, 50% of SCP and a 67% interest in Teesland) → a 50% interest in Sc€uro → a direct 6.7% interest in Teesland
<b>SCP</b>	Scarborough Continental Partners Limited
<b>SDG</b>	Scarborough Development Group plc
<b>Securityholder or Stapled Securityholder</b>	a holder of a Stapled Security
<b>Selected Senior Management</b>	certain senior management of Scarborough and Teesland or their spouses, trusts, companies or nominees who have agreed to subscribe for New Securities
<b>Share</b>	a fully paid ordinary share in VFML
<b>Sqm</b>	square metres
<b>Stapled Security or Security</b>	a Unit and a Share, stapled together
<b>Stapling Deed</b>	the deed between the Responsible Entity and VFML
<b>Target Group</b>	the group of companies (including Scarborough) being acquired under the Sale and Purchase Agreement
<b>TCL</b>	Teesland Capital Limited (an English private limited company)
<b>TCL Sellers</b>	Kevin McCabe, White House 1992 Trust, White House IIP Trust, White House Charitable Trust, Scott McCabe and Simon McCabe
<b>Teesland</b>	Teesland plc
<b>TFN</b>	tax file number
<b>Trust or VPT</b>	Valad Property Trust (ARSN 102 618 824)
<b>Trust Constitution</b>	the constitution of the Trust, as summarised in Section 11.1
<b>UBS AG</b>	UBS AG, Australia Branch (ABN 47 088 129 613)
<b>UK</b>	United Kingdom
<b>Underwriters</b>	JPMorgan, Macquarie Equity Capital Markets and UBS AG
<b>Underwriting Agreement</b>	the agreement dated on or about 25 July 2007 between the Issuers and the Underwriters in relation to the underwriting of the Offer
<b>Unit</b>	a unit in the Trust
<b>United States</b>	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
<b>US Investment Company Act</b>	the United States Investment Company Act of 1940, as amended
<b>US Persons</b>	has the meaning given to "US Person" in Regulation S

## → 12 GLOSSARY

<b>US Securities Act</b>	the United States Securities Act of 1933, as amended
<b>Valad</b>	Valad Property Group
<b>Valad InfoLine</b>	1300 650 320 (within Australia) and +61 2 8280 7104 (callers outside Australia)
<b>VAT</b>	Value Add Tax
<b>VCML and Responsible Entity</b>	Valad Commercial Management Limited (ACN 101 802 046) (AFSL 223339)
<b>VCS</b>	Valad Capital Services
<b>Vendors</b>	SCAMP Sellers, TCL Sellers and the other sellers under the Sale and Purchase Agreement
<b>VFML</b>	Valad Funds Management Limited (ACN 102 249 294)
<b>VPT</b>	Valad Property Trust (ARSN 102 618 824)
<b>£ or GBP</b>	British pounds
<b>€ or EUR</b>	Euros
<b>A\$ or AUD</b>	Australian Dollars

→ *APPENDICES*

→ *APPENDIX A*

*INDEPENDENT TAXATION REPORT*

→ *APPENDIX B*

*INVESTIGATING ACCOUNTANT'S REPORT*



**PricewaterhouseCoopers**  
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**Private and Confidential**

The Directors  
Valad Funds Management Limited  
Level 9, 1 Chifley Square  
SYDNEY NSW 2000

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

25 June 2007

Dear Directors

**Valad Property Group (Valad)**  
**Independent Taxation Report**

This letter has been prepared for inclusion in a Prospectus and Product Disclosure Statement (Offer Document) dated on or about 25 June 2007 relating to the Offer of Stapled Securities consisting of a Share in Valad Funds Management Limited (VFML) and a Unit in Valad Property Trust (VPT). Defined terms used in this letter have the same meaning as they do in the Offer Document. References to Australian tax mean Australian income tax and GST.

The purpose of this letter is to provide a broad summary of the Australian tax implications that would arise for Australian resident individuals acquiring Stapled Securities in Valad on capital account under the Offer. This letter does not cover the taxation implications for non-resident Stapled Securityholders or Stapled Securityholders who hold their investments on revenue account or as trading stock.

This letter is based on existing Australian law and established interpretations as at the date of this letter.

The taxation of interests in a listed stapled security, such as in Valad can be complex and may change over time. Accordingly, Stapled Securityholders are recommended to seek professional taxation advice in relation to their own position.

The information contained in this letter does not constitute "financial product advice" within the meaning of the Corporations Act. PricewaterhouseCoopers, which is providing this letter, is not licensed to provide financial product advice under the Corporations Act. To the extent that this

letter contains any information about a “financial product” within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This letter has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking independent financial advice from a person who is licensed to provide financial product advice under the Corporations Act.

It should be noted that although PricewaterhouseCoopers has given its consent to the inclusion of this report in the Offer Document, we give no assurance or guarantee in respect of the successful operation or performance of Valad and that consent should not be taken as an endorsement or recommendation.

### **Taxation of Valad**

#### ***General***

Each Stapled Security consists of one Unit in VPT and one Share in VFML. These Units and Shares are to be traded on the ASX together as Stapled Securities. For tax purposes VPT and VFML are treated as separate entities. The tax treatment of each entity is considered separately below.

It should be noted that the Government recently announced proposed changes that would effectively allow for the interposition of a single trust between Stapled Securityholders and Valad. However, no draft legislation has been released, so the detail surrounding this announcement is unknown as at the date of this letter. Valad has advised it has no current plans to proceed with such an interposition, but does not rule it out in the future.

#### ***Taxation of VPT***

Based on current tax legislation, VPT should not generally be liable for income tax as it is intended that Stapled Securityholders will be presently entitled to all of the income of VPT.

A trust may however, be liable for income tax in any year where the requirements to be classed as either a public trading trust under Division 6C or a corporate unit trust under Division 6B of the *Income Tax Assessment Act 1936* (the Act) are satisfied for that year. Based on the current activities of VPT, the information in this Offer Document regarding the proposed activities of VPT and the intentions of the Responsible Entity as expressed to us, VPT should not be regarded as a corporate unit trust or a public trading trust. We note that the requirements for a public trading trust are ongoing so that the tax position of VPT in any year will depend on actual operations in that year.

Any losses incurred by VPT must be quarantined within VPT and cannot be passed on to Stapled Securityholders or VFML. Instead, revenue tax losses will be carried forward within VPT and offset against assessable income derived in future years. Net capital losses will be carried forward and offset against future capital gains derived by VPT.

The utilisation of revenue tax losses by VPT is subject to certain tests being satisfied. VPT would need to satisfy the 50% stake test before any revenue losses incurred can be utilised. Broadly, the



test is satisfied if, during the test period, the same individuals have a more than 50% stake in the income and capital of the relevant trust. Where the 50% stake test cannot be satisfied, an alternative same business test may be available where certain conditions are satisfied. There are no restrictions on carrying forward capital losses incurred by VPT.

### **Taxation of VFML**

VFML is a company and together with its Australian resident subsidiaries, forms part of a tax consolidated group. VFML is taxed on the group's taxable income at the corporate tax rate (currently 30%). VFML will receive franking credits for the amount of tax paid and these can be used to frank dividends to Stapled Securityholders.

Any losses incurred by VFML must be quarantined within the consolidated group. Revenue tax losses will be carried forward and offset against assessable income derived by the VFML consolidated group in future years and any net capital losses will be carried forward and offset against future capital gains derived by the VFML consolidated group.

The utilisation of revenue and capital losses by VFML will be subject to certain tests being satisfied. The VFML consolidated group would need to satisfy the continuity of ownership test before revenue losses and capital losses can be utilised. Broadly, the continuity of ownership test will be satisfied if, during the test period, the same individuals are entitled to more than 50% of the income, capital and voting power of VFML. Where the continuity of ownership test cannot be satisfied, an alternative same business test may be available when certain conditions are satisfied.

### **Taxation of Entitlement and Priority Offers**

The Offer consists of the Entitlement, Priority and Public Offers. The Entitlement Offer involves the issue of new Stapled Securities via a 3 for 4 non-renounceable offer to existing Securityholders. The Priority Offer provides a further opportunity for existing Securityholders to acquire Stapled Securities to the extent that Securityholders do not take up the Entitlement Offer. The taxation implications of the rights under the Entitlement Offer and the Priority Offer are discussed below.

#### *Implications of Grant of Rights*

A recent decision of the High Court of Australia, *Commissioner of Taxation v McNeil*, held that the market value of certain rights granted to shareholders in specific circumstances were ordinary income and therefore assessable to income tax in the hands of the shareholder at the time the rights were granted. As a result of this case, there is uncertainty regarding the treatment of rights granted to securityholders to subscribe for additional securities in a company or trust at a discount to the prevailing market price.

The Australian Taxation Office (ATO) has recently issued a Class Ruling addressing the treatment of rights granted under a renounceable rights issue by a company. The ATO have applied the principles in McNeil's case in this ruling to conclude that an assessable amount does arise. However, the ATO's position on the application of McNeil's decision to non-renounceable rights issues has not yet been publicly expressed.

On the basis that the proposed Entitlement Offer is a non-renounceable offer of rights to acquire Valad Stapled Securities and Securityholders will not be entitled to trade their right to subscribe for new Stapled Securities on the ASX under either the Entitlement Offer or the Priority Offer, it is our view that the risk of the ATO successfully applying the decision in McNeil's case to find that an assessable amount arises for Valad Securityholders would be low. However, the issue is not free from doubt. Accordingly, Stapled Securityholders should carefully consider their position in relation to this aspect of the Entitlement Offer and the Priority Offer.

#### *Deemed Acquisition of Rights*

As Stapled Securityholders will not pay to acquire the rights under the Entitlement Offer or the Priority Offer, they will be deemed to have acquired the rights for nil consideration at the same time they acquired the original Stapled Securities to which the Offer relates.

#### *Exercise of Rights*

As a general guide, the exercise by Stapled Securityholders of their rights to acquire further Stapled Securities will not be treated as a disposal of the rights for CGT purposes (i.e. no gain or loss is recognised for CGT purposes). Stapled Securityholders will be taken to have acquired the new Stapled Securities on the date of exercising the rights and for the amount paid on exercising the rights. This will be of particular importance to Stapled Securityholders when calculating any CGT liability on subsequent disposal of Stapled Securities.

#### *Expiration or Lapse of Rights*

If an investor does not exercise their rights under the Entitlement Offer or the Priority Offer and instead allows the rights to lapse or expire, there should not be any CGT consequences.

### **Taxation of Australian Resident Individual Stapled Securityholders**

#### ***Taxation of Distributions from VPT***

Stapled Securityholders are liable to pay tax on the full amount of their share of the taxable income of VPT in the year in which they are presently entitled to the income of VPT. A Stapled Securityholder's share of the taxable income of VPT for the year ended 30 June must therefore be included in the Stapled Securityholder's assessable income for the financial year ended on that date. This applies irrespective of whether the actual distribution of the income from VPT is paid in a subsequent year or reinvested in further Stapled Securities.

Distributions from VPT may include various components, the taxation treatment of which may differ. It is expected that distributions from VPT could include both foreign sourced income and Australian sourced income. Distributions from VPT may also include a tax deferred component, CGT concession component and a net capital gain component.

Tax deferred components are generally attributable to returns of capital, building allowances, depreciation allowances and other tax timing differences. It is the practice of the Commissioner of Taxation to treat tax deferred components as not assessable when received unless and until the total tax deferred components received by a Stapled Securityholder exceed the Stapled



Securityholder's cost base of the VPT Units. For CGT purposes, tax deferred components received reduce the Stapled Securityholder's cost base of the VPT Units and therefore affect the Stapled Securityholder's capital gain/loss on disposal of those Units.

Where an asset that is owned by VPT for at least 12 months is disposed of, VPT may claim a 50% CGT discount on the capital gain realised upon disposal of that asset. The CGT concession component of a distribution by VPT will represent the CGT discount claimed by VPT in respect of asset disposals. The CGT concession component is not assessable when received by Stapled Securityholders. Where a trust distribution includes a CGT concession component, there will be no reduction to the cost base of the VPT Units held by a Stapled Securityholder.

The capital gain component of a trust distribution must be included in a Stapled Securityholder's calculation of their net capital gain. Where the distributed capital gain includes a discount capital gain component, the Stapled Securityholder is required to "gross up" that component by the discount applied by VPT (i.e. 50%). The nominal capital gain (i.e. the whole amount of the gain prior to discounting) is then included in the calculation of the Stapled Securityholder's net capital gain. For example, in calculating a Stapled Securityholder's net capital gain, the Stapled Securityholder may be able to offset their capital losses against the nominal capital gain. A Stapled Securityholder may then be entitled, in their own right, to a CGT discount.

#### ***Foreign Tax Credits and Distributions From VPT***

Profit distributions from VPT's foreign investments maybe included in VPT's net income. Such distributions (grossed up for any foreign tax borne by VPT) will be foreign sourced income of VPT and therefore for Stapled Securityholders.

Stapled Securityholders may be able to claim foreign tax credits for this foreign tax borne by VPT against the Australian tax payable on foreign sourced income of the same class as the income from VPT. Foreign income is divided into four classes for foreign tax credit purposes. The amount of the foreign tax credit available to a Stapled Securityholder will generally be equal to the lesser of:

- (a) the Australian tax payable by the Stapled Securityholder on foreign sourced income of that class; or
- (b) the Stapled Securityholder's share of the foreign tax borne by VPT.

If foreign tax credits are available to a Stapled Securityholder but cannot be used by a Stapled Securityholder in the year they arise, the credits may be able to be carried forward by the Stapled Securityholder for up to five years and be used as a credit against future Australian tax payable on foreign sourced income.

The Federal Government in its 2005 Budget announced a proposal to repeal the limiting of foreign tax credits to the same class of income. On 21 June 2007 a bill was introduced into the House of Representatives giving effect to this announcement and introducing a number of other changes to foreign tax credit entitlements. This bill is not yet law and, if enacted, will apply only to income years beginning on or after 1 July following Royal Assent. The relevant changes included in the bill are: to rename foreign tax credits as foreign tax offsets; to allow foreign tax offsets to be calculated

on a whole of income basis without quarantining into classes of income; to deny the carrying forward of foreign income tax for use in a later year.

**Taxation of Dividends from VFML**

Dividends received from VFML by Stapled Securityholders will need to be included in the assessable income of the Stapled Securityholder in the year that the dividend is paid. To the extent that the dividend is franked (i.e. tax has been paid on the profits out of which the dividend is paid), then the amount of the associated franking credit will also be included in the Stapled Securityholder's assessable income. In these circumstances, the Stapled Securityholder will be entitled to a tax offset equal to the franking credit. Where this tax offset exceeds the Stapled Securityholder's tax payable as assessed, a Stapled Securityholder who is an individual or complying superannuation fund will generally be entitled to a refund of the excess franking credit.

To the extent that the dividend is unfranked, the Stapled Securityholder is assessed on the unfranked dividend received and there is no franking credit available.

There are a number of measures that may affect a Stapled Securityholder's ability to utilise franking credits, including the holding period rule. Generally speaking, the holding period rule requires Stapled Securityholders to hold their Shares "at risk" for more than 45 days during the relevant period. Given that these rules are complex, Stapled Securityholders should be aware of and seek specific advice on their own position.

Distributions debited to the share capital account of VFML may be treated as a return of capital (subject to other detailed requirements not covered here) and reduce the CGT cost base of the VFML Shares. To the extent that such distributions exceed the CGT cost base of the VFML Shares, a capital gain equal to the excess will arise.

**Taxation on Disposal of Stapled Securities**

The disposal of a Stapled Security involves the disposal of two separate assets, being the underlying Share in VFML and the Unit in VPT (the Underlying Securities). Where a Stapled Securityholder holds the Stapled Security on capital account, the disposal will have CGT implications for the Stapled Securityholder. Broadly, the Stapled Securityholder must include any realised capital gain or loss on the disposal of their Stapled Security in the calculation of their net capital gain or loss for the year. The tax consequences must be worked out separately for each Underlying Security.

A Stapled Securityholder will derive a capital gain on the disposal of the Underlying Securities to the extent that the capital proceeds on disposal exceed the CGT cost base of the Underlying Securities. A Stapled Securityholder will incur a capital loss on the disposal of the Underlying Securities to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Underlying Securities. The capital proceeds received on the disposal of a Stapled Security must be apportioned between the Underlying Securities on a reasonable basis. The CGT cost base of each Underlying Security will include the amount paid to acquire the Stapled Securities, together with any capital costs of acquisition or disposal, allocated to each Underlying Security on a reasonable basis. The cost base of each Underlying Security will be reduced by any



tax deferred distributions or returns of capital made by Valad in respect of that particular Underlying Security.

All capital gains and capital losses arising in a year, including distributions of capital gains, are added together to determine whether a Stapled Securityholder has derived a net capital gain or incurred a net capital loss in that year.

If a Stapled Securityholder derives a net capital gain in a year, this amount is, subject to the comments below, included in the Stapled Securityholder's assessable income. If a Stapled Securityholder incurs a net capital loss in a year, this amount is carried forward and is available to offset capital gains derived in subsequent years.

If the Stapled Securityholder (being an individual) has held the Stapled Securities for 12 months or more at the time of disposal and there is a capital gain, a discount factor of 50% may be available to that individual. The capital gain on the Stapled Securities is initially reduced by any other capital losses of the Stapled Securityholder. If a capital gain remains after utilising any available capital losses, it may be reduced by the 50% discount factor.

#### **Tax File Numbers, Australian Business Numbers and Exemptions**

If a Tax File Number (TFN) is not quoted by a Stapled Securityholder, and no appropriate TFN exemption information is provided, Pay As You Go withholding tax is required to be deducted from any income distribution entitlement at the highest marginal tax rate plus Medicare levy (currently 46.5%). A Stapled Securityholder may quote a valid ABN in place of a TFN, where holding the Stapled Securities is part of the carrying on of an enterprise by the Stapled Securityholder.

The collection of TFNs is authorised and their use and disclosure is strictly regulated by the tax laws and the Privacy Act.

#### **GST**

The grant of Entitlements to acquire Stapled Securities and the purchase and disposal of Stapled Securities by Stapled Securityholders is not subject to GST. However, Stapled Securityholders are unable to claim full input tax credits on the GST incurred on their expenses relating to these activities.

Yours faithfully

A handwritten signature in black ink, appearing to read 'B. Lawrence'.

Brian Lawrence  
Partner

A handwritten signature in black ink, appearing to read 'M. Hadassin'.

Mark Hadassin  
Partner



The Directors  
Valad Funds Management Limited  
Level 9, 1 Chifley Square  
SYDNEY NSW 2000

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

**PricewaterhouseCoopers  
Securities Ltd  
ACN 003 311 617  
ABN 54 003 311 617  
Holder of Australian Financial  
Services Licence No 244572**

Darling Park Tower 2  
201 Sussex Street  
GPO BOX 2650  
SYDNEY NSW 1171  
DX 77 Sydney  
Australia  
[www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 2 8266 0000  
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25 June 2007

Dear Directors

#### **Investigating Accountant's Report on Forecast Financial Information**

We have prepared this report on forecast financial information of the Valad Property Group (Valad) for inclusion in a Product Disclosure Statement and Prospectus dated on or about 25 June 2007 (the Offer Document) for the issue of Stapled Securities in Valad (the "Offer") relating to the acquisition of Scarborough (the "Acquisition").

Expressions defined in the Offer Document have the same meaning in this report.

The nature of this report is such that it should be given by an entity which holds an Australian Financial Services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence.

#### **Scope**

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountant's Report (the Report) covering the following information:

- (a) forecast pro forma financial performance of Valad without the Offer and Acquisition and assuming completion of the Offer and Acquisition for the year ending 30 June 2008
  - (b) pro forma balance sheets of Valad without the Offer and Acquisition and assuming completion of the Offer and Acquisition which incorporates the contemplated transactions disclosed in Section 9.6 of the Offer Document (the pro forma transactions).
- (collectively, the Forecasts)



**The Directors**  
**25 June 2007**

This Report has been prepared for inclusion in the Offer Document. We disclaim any assumption of responsibility for any reliance on this Report or on the Forecasts to which it relates for any purposes other than for which it was prepared.

#### **Scope of review of Forecast financial information**

The Directors of Valad are responsible for the preparation and presentation of the Forecasts, including the best estimate assumptions, which include the pro forma transactions, on which they are based.

Our review of the best estimate assumptions underlying the Forecasts was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions provide a reasonable basis for the Forecasts. These procedures included discussion with the Directors and management of Valad and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the best estimate assumptions do not provide a reasonable basis for the preparation of the Forecasts and whether, in all material respects, the Forecasts are properly prepared on the basis of the assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of Valad disclosed in Section 9.7 of the Offer Document so as to present a view of Valad which is consistent with our understanding of Valad's past, current and future operations.

The Forecasts have been prepared by the Directors to provide investors with a guide to Valad's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of Forecasts. Actual results may vary materially from the Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the investment risks set out in Section 7 of the Offer Document.

Our review of the Forecasts that are based on best estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the Offer Document

(2)

**The Directors**  
**25 June 2007**

**Review statement on the Forecasts**

Based on our review of the Forecasts, which is not an audit, and based on an investigation of the reasonableness of the best estimate assumptions giving rise to the Forecasts, nothing has come to our attention which causes us to believe that:

- (a) the best estimate assumptions set out in Section 9.6 of the Offer Document do not provide a reasonable basis for the preparation of the Forecasts, and
- (b) the Forecasts are not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Valad disclosed in Section 9.7 of the Offer Document
- (c) the Forecasts are unreasonable.
- (d) the pro forma balance sheets have not been properly prepared on the basis of the pro forma transactions
- (e) the pro forma transactions do not form a reasonable basis for the pro forma balance sheets

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of Valad. If events do not occur as assumed, actual results and distributions achieved by Valad may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

**Subsequent events**

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of Valad have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

**Independence or Disclosure of Interest**

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.



The Directors  
25 June 2007

**Financial Services Guide**

We have included our Financial Services Guide as an Annexure to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Haberlin'.

Mark Haberlin  
Authorised Representative  
PricewaterhouseCoopers Securities Ltd

A handwritten signature in black ink, appearing to read 'Richard D Savage'.

Richard D Savage  
Authorised Representative  
PricewaterhouseCoopers Securities Ltd

**PRICEWATERHOUSECOOPERS SECURITIES LTD  
FINANCIAL SERVICES GUIDE**

This Financial Services Guide is dated 25 June 2007

**PricewaterhouseCoopers  
Securities Ltd  
ACN 003 311 617  
ABN 54 003 311 617  
Holder of Australian Financial  
Services Licence No 244572**

Darling Park Tower 2  
201 Sussex Street  
GPO BOX 2650  
SYDNEY NSW 1171  
DX 77 Sydney  
Australia  
www.pwc.com/au  
Telephone +61 2 8266 0000  
Facsimile +61 2 8266 9999

**1 About us**

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Valad Property Group (Valad) to provide a report in the form of an Independent Accountant's Report in relation to the pro forma forecast financial information (the "Report") for inclusion in the Offer Document.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

**2 This Financial Services Guide**

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

**3 Financial services we are licensed to provide**

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

**4 General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

**5 Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and are approximately \$1.1million (excluding GST and disbursements).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

**6 Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers is the auditor and taxation advisor to Valad.

**7 Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Service ("FICS"), an external complaints resolution service. You will not be charged for using the FICS service.

**8 Contact Details**

PwC Securities can be contacted by sending a letter to the following address:  
Mark Haberin  
Darling Park Tower 2  
201 Sussex Street  
Sydney NSW 2000

→ *APPLICATION FORMS*



# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The New Securities to which this Application Form relates are Valad Property Group Stapled Securities. Further details about the New Securities are contained in the Offer Document dated 25 June 2007 issued by Valad Funds Management Limited (ACN 102 249 294) (VFML) and Valad Commercial Management Limited (ACN 101 802 046), as the Responsible Entity for Valad Property Trust (ARSN 102 618 824), (VPT). While the Offer Document is current, Valad Property Group will send paper copies of the Offer Document, any supplementary document together with the Application Form, free of charge on request.

The Australian Securities and Investment Commissions requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Offer Document. This Application Form is included in or accompanies the Offer Document.

The Offer Document contains important information about investing in the New Securities. You should read the Offer Document before applying for New Securities.

- A** Insert the number of **New Securities you wish to apply for. The Application** must be for a minimum of 2,000 **New Securities. You may be issued all of the New Securities applied for, a lesser number or none.**
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of **New Securities applied for** by the Application Price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of **New Securities.** This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Please enter your postal address for all correspondence. All communications to you from Valad Property Group and the Security Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your **New Securities will be issued to Valad Property Group's issuer sponsored subregister.**
- F** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- G** Please complete the details of your cheque or bank draft in this section. The total amount should agree with the amount shown in section B.  
Make your cheque or bank draft payable to "VCML – Applications Trust Account" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected. Pin (do not staple) your cheque or bank draft to the Application Form where indicated.
- BPAY**  
If you wish to pay via BPAY you should log onto [www.valad.com.au](http://www.valad.com.au) and complete an online Application Form. Should you pay via BPAY DO NOT post your application form. Your application will be submitted electronically as part of the online application process. Payments must be received before 5:00pm (Sydney time) on 17 July 2007. If the BPAY payment is for any reason not received in full, VFML and VPT may treat you as applying for as many Securities as the cleared monies will pay for.

## LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (Sydney time) on 17 July 2007 at:

Valad Entitlement Offer  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

Valad Entitlement Offer  
C/- Link Market Services Limited  
Level 12, 680 George Street  
Sydney New South Wales  
**(do not use this address for mailing purposes)**

If you have any queries concerning this form or your entitlement, please contact Link Market Services Limited on 1300 650 320 within Australia or +61 2 8280 7104 outside Australia.

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a Securityholder (including your name, address and details of the Stapled Securities you hold) to be included in the public register of the entity in which you hold Stapled Securities. Information is collected to administer your Securityholding and if some or all of the information is not collected then it might not be possible to administer your Securityholding. Your personal information may be disclosed to the entity in which you hold Stapled Securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)).

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold New Securities. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



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**(do not use this address for mailing purposes)**

If you have any queries concerning this form or your entitlement, please contact Link Market Services Limited on 1300 650 320 within Australia or +61 2 8280 7104 outside Australia.

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a Securityholder (including your name, address and details of the Stapled Securities you hold) to be included in the public register of the entity in which you hold Stapled Securities. Information is collected to administer your Securityholding and if some or all of the information is not collected then it might not be possible to administer your Securityholding. Your personal information may be disclosed to the entity in which you hold Stapled Securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website ([www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)).

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold New Securities. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

# → CORPORATE DIRECTORY

## **Issuers**

Valad Funds Management Limited (ACN 102 249 294)  
and Valad Commercial Management Limited  
(ABN 76 101 802 046), as the Responsible Entity for  
Valad Property Trust (ARSN 102 618 824)  
Level 9  
1 Chifley Square  
SYDNEY NSW 2000

## **Directors of Valad Property Group**

Stephen Day (Chairman)  
Peter Hurley  
Trevor Gerber  
Robert Seidler  
Andrew Martin

## **Legal Advisers**

Mallesons Stephen Jaques  
Level 61, Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000

## **Investigating Accountants**

PricewaterhouseCoopers Securities Ltd  
Darling Park  
201 Sussex Street  
Sydney NSW 2000

## **Tax Advisers**

PricewaterhouseCoopers  
Darling Park  
201 Sussex Street  
Sydney NSW 2000

## **Registry**

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

## **Financial Adviser, Lead Manager and Joint Bookrunner and Underwriter**

JP Morgan Australia Limited  
Level 32, Grosvenor Place  
225 George Street  
Sydney NSW 2000

## **Joint Bookrunners and Underwriters**

Macquarie Equity Capital Markets Limited  
Level 9  
No. 1 Martin Place  
SYDNEY NSW 2000

UBS AG, Australia Branch  
Level 16, Chifley Tower  
2 Chifley Square  
SYDNEY NSW 2000

VALAD PROPERTY GROUP

Product Disclosure Statement and Prospectus



**VALAD**

[www.valad.com.au](http://www.valad.com.au)