

DB Real Estate

Explanatory Memorandum & Product Disclosure Statement



This document

This document (the Explanatory Memorandum) provides Unitholders in the Deutsche Diversified Trust (DDF), Deutsche Industrial Trust (DIT) and Deutsche Office Trust (DOT) with details relating to the creation of DB RREEF Trust (DRT) for which the approval of Unitholders of DDF, DIT and DOT is sought at meetings of Unitholders of DDF, DIT and DOT to be held on 27 September 2004 (Unitholder Meetings).

This Explanatory Memorandum is also a Product Disclosure Statement (PDS) issued by DB RREEF Funds Management Limited (AFS Licence No. 238163) (DRFM) (and no other person) in so far as it relates to the issue of Units by DRFM in DDF, DIT, DOT and DB RREEF Operations Trust (DRO) (collectively the Trusts) for the purposes of Part 7.9 of the Corporations Act.

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary in Section 23.

Regulatory Information

This Explanatory Memorandum, the Overviews and the Cash Sale and Exchange Facilities Notices are issued by DB Real Estate Australia Limited (DBRE) (AFS Licence No. 238166), Deutsche Asset Management (Australia) Limited (DeAM) (AFS Licence No. 238165) and DRFM, which are all indirect wholly owned subsidiaries of Deutsche Bank AG (Deutsche Bank).

At the time of the issue of Units described in this Explanatory Memorandum, DRFM will be the Responsible Entity of the Trusts and the issuer of the Units offered under this Explanatory Memorandum.

This Explanatory Memorandum is dated 27 August 2004 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. Application will be made within seven days after that date for quotation of the Stapled Securities on the Australian Stock Exchange Limited (ASX). ASIC and ASX take no responsibility for the contents of the Explanatory Memorandum, the Overviews or the Cash Sale and Exchange Facilities Notices.

Units in the Trusts are not issued by Deutsche Bank

Deutsche Bank and its subsidiaries do not guarantee the performance of the Trusts, the Units in any of them or distributions by or repayment of capital of any of them. An investment in the Trusts is not an investment in, liability of or deposit with Deutsche Bank or its subsidiaries. Obligations in respect of Units in the Trusts are not secured. Investment-type products are subject to investment risk, including possible delays in repayment and loss of income and capital invested.

No representations

Unitholders should rely only on the information in this Explanatory Memorandum and their relevant Overview and Cash Sale and Exchange Facilities Notice. No person is authorised to give any information or to make any representation in connection with the issue of Units in the Trusts that is not contained in this Explanatory Memorandum, the Overviews or the Cash Sale and Exchange Facilities Notices. Any information or representation that is not in this Explanatory Memorandum or an Overview or Cash Sale and Exchange Facilities Notice may not be relied upon as being authorised by DBRE, DeAM, DRFM, Deutsche Bank or any associate of Deutsche Bank in connection with an offer of Units in the Trusts. Except as required by law and then only to the extent so required, none of DBRE, DeAM, DRFM, RREEF America, LLC (RREEF), Deutsche Bank or any associate of Deutsche Bank warrants the future performance of the Trusts or any return on any investment made pursuant to this Explanatory Memorandum.

This is not investment advice. You should seek your own financial advice

The information provided in this Explanatory Memorandum, the Overviews and the Cash Sale and Exchange Facilities Notices has been prepared without taking into account your investment objectives, financial circumstances or particular needs. You should read the whole of this Explanatory Memorandum, the relevant Overview and the relevant Cash Sale and Exchange Facilities Notice and consider all the risk factors that could affect the performance of DRT and the Stapled Securities and other information concerning the Stapled Securities in light of your own particular investment objectives, financial circumstances and needs before deciding whether to vote in favour of the Resolutions. Past performance of the Trusts is no indication of

future performance of DRT. If you have any questions, you should contact your investment, financial, taxation or other professional adviser before deciding whether to vote in favour of the Resolutions. Some of the risk factors that should be considered are set out in Section 11.

No cooling-off rights apply to the issue of Units in the Trusts

Cooling off rights do not apply in relation to the issue of Units in the Trusts.

Trading in Stapled Securities

It is your responsibility to determine your allocation of Stapled Securities before trading Stapled Securities to avoid the risk of selling Stapled Securities you do not own.

To assist you in determining your allocation prior to receipt of your holding statement, you may call the Information Line on 1300 733 838 (within Australia) or +61 2 9240 7453 (from outside Australia) to seek information on your allocation. For legal reasons, calls will be recorded.

If you sell Stapled Securities before you receive confirmation of your allocation, you do so at your own risk.

Jurisdictions

This Explanatory Memorandum, the Overviews and the Cash Sale and Exchange Facilities Notices do not in any way constitute an offer of securities in any place other than Australia and New Zealand.

None of this Explanatory Memorandum, the Overviews and the Cash Sale and Exchange Facilities Notices constitutes an offer of securities for sale in the United States (US) and the securities may not be offered or sold in the US absent registration or an exemption from registration. No offering of securities will be made in the US by DRT. US Unitholders will be deemed to have elected to participate in the Cash Sale Facility in respect of all of their Units (see Section 3.7).

Disclosure about forward looking statements

This Explanatory Memorandum, the Overviews or Cash Sale and Exchange Facilities Notices include certain forecast financial information that has been based on current expectations about future events. The forecast financial information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such forecast financial information. Factors which may affect future financial performance include, among other things, those risks identified in Section 11, the assumptions not proving correct and other matters not currently known to, or considered material by DBRE, DeAM and DRFM.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. To the extent permitted by law, none of DBRE, DeAM, DRFM, their officers, any person named in this Explanatory Memorandum, the Overviews or Cash Sale and Exchange Facilities Notices and any person involved in the preparation of this Explanatory Memorandum, the Overviews or Cash Sale and Exchange Facilities Notices makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Explanatory Memorandum, the Overviews and Cash Sale and Exchange Facilities Notices reflect views held only as at the date of this Explanatory Memorandum.

The value of US Assets has been converted into A\$ using an exchange rate of 0.7017 and the value of the asset in New Zealand at an exchange rate of 1.1136.

In this Explanatory Memorandum, all references to DRT's total FUM of A\$10.1 billion assumes:

- A\$6.2 billion direct property portfolio, including all future committed acquisitions and disposals referred to in this Explanatory Memorandum, excluding minority interests; and
- A\$3.9 billion third party FUM and other assets, assuming the transfer of the rights to manage that FUM, after consultation and requisite consents, with effect from 1 October 2004.

DB Real Estate

Explanatory Memorandum & Product Disclosure Statement

DB RREEF Funds Management Limited

(ABN 24 060 920 783)

as responsible entity of

DB RREEF Operations Trust

(ARSN 110 521 223)

DB Real Estate Australia Limited

(ABN 47 006 036 442)

as responsible entity of

Deutsche Diversified Trust

(ARSN 089 324 541)

Deutsche Asset Management (Australia) Limited

(ABN 11 076 098 596)

as responsible entity of

Deutsche Office Trust

(ARSN 090 768 531); and

Deutsche Industrial Trust

(ARSN 090 879 137)

This document should be read in conjunction with the Overview and Cash Sale and Exchange Facilities Notice for the entity in which you hold your units which accompany this Explanatory Memorandum.

This is an important document and requires your urgent attention. If you are in doubt as to what you should do, you should consult your investment, financial, taxation or other professional adviser.



How to obtain a copy of this Explanatory Memorandum

Printed Explanatory Memorandum

Printed copies of this Explanatory Memorandum are available free of charge up until the Unitholder Meetings to persons in Australia by calling the Information Line on 1300 733 838 (within Australia) or +61 2 9240 7453 (from outside Australia).

Electronic and Printed Explanatory Memorandum

A copy of this Explanatory Memorandum is available online at www.dbrealestate.com/australia/proposal. Persons who obtain a copy of this Explanatory Memorandum from www.dbrealestate.com/australia/proposal are entitled to obtain a paper copy of this Explanatory Memorandum free of charge by contacting the Information Line on 1300 733 838 (within Australia) or +61 2 9240 7453 (from outside Australia).

The following conditions apply if this Explanatory Memorandum is accessed electronically:

- you must download this Explanatory Memorandum in its entirety from www.dbrealestate.com/australia/proposal; and
- it is only available electronically to persons accessing and downloading or printing the electronic version of this Explanatory Memorandum in Australia and New Zealand.

Updating this Explanatory Memorandum

Information contained in this Explanatory Memorandum is subject to change from time to time and may be updated by DBRE, DeAM and DRFM.

Any updated information will be available from www.dbrealestate.com/australia/proposal.

A paper copy of the updated information can be obtained without charge by contacting the Information Line on 1300 733 838 within Australia or +61 2 9240 7453 (from outside Australia). For legal reasons, all calls to the Information Line will be recorded.

Where updated information is materially adverse to investors, DBRE, DeAM and DRFM will issue a supplementary Explanatory Memorandum.

Key dates

Latest date and time for lodgment of proxies and Cash Sale and Exchange Facilities Election Forms	10.00am 25 September 2004
Date and time for determining eligibility to vote at the Unitholder Meetings	7.00pm 26 September 2004
DDF Unitholders' Meeting	10.00am 27 September 2004
DOT Unitholders' Meeting	10.00am 27 September 2004
DIT Unitholders' Meeting	10.00am 27 September 2004
Last of conditions to Stapling (being US acquisition) satisfied	30 September 2004 (US time)
Last Trading Date – last day of trading in Existing DDF Units, Existing DIT Units and Existing DOT Units	5 October 2004
Commencement of trading in Stapled Securities on a deferred settlement basis	6 October 2004
Stapling Record Date – date for determining entitlements to Stapled Securities	12 October 2004
Issue Date – date on which Stapled Securities are issued	by 19 October 2004
Date for despatch of holding statements for Stapled Securities	by 19 October 2004
Commencement of normal trading in Stapled Securities	by 20 October 2004

All times are Sydney time unless otherwise specified.

All dates following the date of the Unitholder Meetings are indicative only and are subject to approval from the ASX and the satisfaction (or, where possible, waiver) of the conditions precedent to the implementation of the Stapling Proposal. Any changes to the above timetable will be notified on DB Real Estate's website at www.dbrealestate.com/australia/proposal and announced to the ASX by each of DDF, DIT and DOT.

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1 Key information on the Transaction

The following summary describes the Transaction and its effect on DDF, DIT and DOT Unitholders. References to other parts of this Explanatory Memorandum are provided to assist in locating more detailed information on the Transaction and its potential impact on Unitholders.

What is the Transaction?

The Transaction will involve:

- the creation of DRT by combining three listed property trusts – DDF, DIT and DOT – and a newly formed trading trust, DRO, by the Stapling of their Units. See Section 3;
- the acquisition by DRO of a 50% interest in DRFM, thus partially internalising management of the Trusts. DRFM will be responsible for DRT's entire funds management business. The remaining 50% interest will be held by Deutsche Bank. See Section 4;
- the acquisition by DDF and DIT of an 80% interest in a portfolio of US Assets. See Section 5; and
- the proposed investment by DDF of A\$25 million in Deutsche Wholesale Property Fund (DWPF), with the ability to increase this investment by up to a further A\$25 million. See Section 6.

Funding

Funding for the Transaction will be provided by debt drawn down under new debt facilities made available to subsidiaries of DRT, supported by guarantees from each of the Trusts and each of their wholly-owned trusts. However, the US REIT will only give a limited guarantee. See Section 9.

Stapling

As part of the Transaction, the Stapling will combine DDF, DIT, DOT and DRO thereby creating a common investor base across each of the Trusts. Following the Stapling, the Trusts will each have the same Unitholders. See Section 3.

Acquisition of 50% of DRFM

As part of the Transaction, DRO will acquire a 50% interest in DRFM.

This acquisition will effectively internalise 50% of the management of each of the Trusts within DRT and will also give DRO a 50% interest in the management rights of third party property funds. The remaining 50% interest will be held by Deutsche Bank. See Section 4.

US Assets acquisition

As part of the Transaction, DDF and DIT, through a US entity, will acquire, on or before 30 September 2004, an 80% interest in a portfolio of US industrial assets for a total consideration of US\$1,014 million (100% basis). The portfolio consists of 93 properties spread across 18 US metropolitan areas and will be held in a joint venture with a subsidiary of CalWest. See Section 5.

Investment in DWPF

As part of the Transaction, DDF will make a A\$25 million equity investment in DWPF. DDF will have the ability to increase this investment by up to a further A\$25 million. See Section 6.

Change of Responsible Entities

In order to facilitate the Stapling (and as a condition of it) and to provide common management to each of the Trusts comprising DRT, it is desirable that each Trust has the same responsible entity. Accordingly, it is proposed that DRFM will replace DBRE as Responsible Entity of DDF and DeAM as responsible entity of DIT and DOT. See Section 14.

1 Key information on the Transaction

Other transactions

On 4 August 2004, DBRE announced the execution of certain agreements in the ordinary course of business. These transactions are not subject to Unitholder approval and are independent of the Transaction. It is expected that these transactions will proceed to settlement regardless of the approval, or otherwise, of the Transaction by Unitholders. See Section 7.

What will DRT look like if the Transaction and the other transactions proceed?

Following the Transaction and these other transactions, DRT is expected to have an equity market capitalisation in excess of A\$3 billion.

DRT will have investments in office properties, shopping centres, industrial properties and car parks in Australia, New Zealand and the US, with a total asset value in excess of A\$6 billion.

In addition DRT, through its 50% investment in DRFM, will manage approximately A\$3.9 billion of third party property investments and other assets through syndicates, a wholesale unit trust and direct investment mandates after obtaining requisite consents.

Following the Transaction, former DDF Unitholders will hold 38.8% of issued Stapled Securities, former DIT Unitholders will hold 19.8% of issued Stapled Securities and former DOT Unitholders will hold approximately 41.4% of issued Stapled Securities (excluding Stapled Securities subsequently issued to Deutsche Bank as referred to in Section 4). See Section 3.

Rationale for the Transaction

The overriding rationale for the Transaction is to provide enhanced value for Unitholders through the establishment of a major diversified property group with access to an integrated global real estate business. The Transaction will encompass ownership, development, funds and asset management and leasing activities across a diversified portfolio of property in Australia, New Zealand and the US. The Transaction will create an operating and financial structure capable of taking advantage of global growth opportunities in the future. See Section 2.

What will you receive if the Transaction proceeds?

If the Transaction proceeds and you hold Units on the Stapling Record Date, you will hold Stapled Securities in DRT unless you are a Foreign Unitholder. The number of Stapled Securities that DDF Unitholders, DIT Unitholders and DOT Unitholders will hold after the Issue Date is determined by the Stapling Ratios which are described in Section 3. Under the Stapling Ratios:

- each DDF Unitholder will hold 1.00 Stapled Security for every Existing DDF Unit held on the Stapling Record Date;
- each DIT Unitholder will hold approximately 1.51 Stapled Securities for every Existing DIT Unit held on the Stapling Record Date; and
- each DOT Unitholder will hold approximately 0.93 Stapled Securities for every Existing DOT Unit held on the Stapling Record Date.

1 Key information on the Transaction

What are the forecast distributions for DRT?

If the Transaction proceeds, the distribution is forecast to be 10.5 cents per Stapled Security for the year to 30 June 2005. Distributions are forecast to increase to 11.0 cents per Stapled Security for the year to 30 June 2006.

Distributions will be paid half-yearly. The next distribution for all Stapled Securityholders will be for the six months ending 31 December 2004. See Section 9.

What DBRE and DeAM have recommended

DBRE and DeAM, by unanimous resolutions of their boards, recommend that the Unitholders of their respective Trusts vote in favour of all resolutions.

What the Independent Expert has said

The Independent Expert has considered the Transaction and concluded that the Transaction is in the best interests of Unitholders as a whole in DDF, DIT and DOT in the absence of a superior proposal. In addition, the Independent Expert has also concluded that the potential increase in Deutsche Bank's relevant interest up to a maximum of 35% is fair and reasonable to non-associated Unitholders.

The Independent Expert's Opinion is set out in Section 12 and the full report is contained in Attachment 1.

What is the relationship between DRT and Deutsche Bank?

The DRT/Deutsche Bank operating partnership will enable each group to utilise their respective strengths to maximise returns to Unitholders as follows:

Deutsche Bank strengths –

- continued access to the global real estate platform, including access to the expertise of RREEF, to expand funds under management;
- access to a superior compliance and governance model; and
- revenue sharing with DRT Stapled Securityholders.

DRT strengths –

- majority independent board, together with management, enhances alignment of interests with Stapled Securityholders;
- experienced funds and property management team; and
- ability to diversify revenue streams across a broader range of value adding businesses.

Tax implications of the Transaction

Greenwoods & Freehills Pty Limited has provided a taxation report on the general Australian taxation impacts of the Transaction on Unitholders. PwC has provided a taxation report on the general US and Australian taxation impacts on Stapled Securityholders in respect of the acquisition of the US Assets.

The taxation reports are set out in Section 12.5 and 12.6.

What are the advantages, disadvantages and risks?

The key advantages, disadvantages and risks are set out in Section 11, which you should carefully consider.

How the Stapling Proposal will be implemented

The key steps to implement the Stapling Proposal are set out in Section 3.

Details of the Resolutions to be passed by Unitholders

The details of the resolutions to be passed by DDF, DIT and DOT Unitholders can be found in the relevant Notices of Meeting. See also Sections 8, 16, 17 and 18.

1 Key information on the Transaction

Conditions precedent to the Transaction proceeding

Implementation of the Stapling is subject to satisfaction of a number of conditions including:

- approval by DDF, DIT and DOT Unitholders of all of the resolutions set out in their respective Notices of Meeting;
- neither DeAM nor DBRE withdrawing from the Transaction prior to the passage of the resolutions at the Unitholders' Meetings should either of them determine in the proper performance of their duties that implementation of the Transaction is not in the best interests of the Unitholders of a Trust of which either is the responsible entity;
- execution of the agreements relating to the acquisition by DRO of the 50% interest in DRFM;
- the drawdown of necessary debt facilities; and
- settlement of the acquisition of the US Assets.

See Section 19.2 for details of other conditions to implementation of the Stapling which are contained in the summary of the Stapling Implementation Deed Poll.

If the Transaction does not proceed

If the Transaction does not proceed each Trust will continue as it currently does, that is:

- there will be no Stapling and DDF, DIT and DOT will operate separately and their units will continue to trade separately on the ASX;
- DRO will not acquire an interest in DRFM;
- DDF and DIT will not acquire the US Assets;
- the A\$25 million investment in DWPF will not occur;
- DeAM will remain as responsible entity of DIT and DOT, and DBRE will remain as responsible entity of DDF (assuming all resolutions at all Unitholder Meetings are not passed);
- the current fees charged by the applicable responsible entity of DDF, DIT and DOT will not change;
- the constitutions of DDF, DIT and DOT will not be amended (assuming all resolutions at all Unitholder Meetings are not passed); and
- the Distribution Reinvestment Plan (DRP) for DRT will not be put in place.

If all resolutions are passed at all Unitholder Meetings of DDF, DIT and DOT but the Transaction does not proceed, the constitutions of each of DDF, DIT and DOT will change (but not the fees) and DRFM will become the responsible entity of each of DDF, DIT and DOT.

The costs incurred in connection with the US acquisition (including the non refundable deposit of US\$5 million) will be borne by DDF, DIT and DOT in accordance with the Stapling Ratios.

If the Transaction does not proceed, Transaction costs are expected to be approximately A\$19 million, including the US\$5 million non-refundable deposit, and after deducting the contribution from DBRE referred to below. These Transaction costs include legal, taxation, financial advisers, independent accountants and independent expert costs.

DBRE has agreed that it will reimburse DDF, DIT and DOT A\$5 million of the costs associated with the acquisition of the US Assets if the Transaction does not proceed due to a failure to gain the approval of Unitholders. This A\$5 million will be allocated amongst DDF, DIT and DOT in accordance with the Stapling Ratios.

The other transactions described in Section 7 are not dependant on Unitholder approval being obtained and will be undertaken by DDF and DOT even if the Transaction does not proceed.

1 Key information on the Transaction

Do I need to do anything to receive my Stapled Securities?

If the Transaction proceeds, Australian and New Zealand Unitholders who hold Units on the Stapling Record Date will automatically receive Stapled Securities. These Unitholders are not required to do anything further in order to receive Stapled Securities.

Cash Sale and Exchange Facilities

Because of their individual circumstances, some Unitholders may wish to use the Cash Sale and Exchange Facilities to sell some or all of their Units for cash (Cash Sale Facility) or to exchange them for Stapled Securities (Exchange Facility). Information on the general Australian tax implications of making an election to participate in the Cash Sale Facility or the Exchange Facility are set out in the relevant Cash Sale and Exchange Facilities Notices and in the taxation report in Section 12.5 of this document.

However, before deciding whether or not to participate in the Cash Sale and Exchange Facilities you should consult your investment, financial, taxation or other professional adviser as your election to participate will have important tax consequences, some of which may be adverse.

Foreign Unitholders

Restrictions in certain foreign countries make it impractical or unlawful to offer or receive securities in those countries.

Accordingly, DRFM has no obligation to issue Stapled Securities to a Foreign Unitholder. A Foreign Unitholder is any Unitholder who on the Stapling Record Date has a registered address which is outside Australia and New Zealand and their respective external territories.

Foreign Unitholders will be deemed to have elected to participate in the Cash Sale Facility for all of their Units.

What other information is available

If you have any further questions you can contact the Information Line on 1300 733 838 (within Australia) or +61 2 9240 7453 (from outside Australia) or visit DB Real Estate's website at www.dbrealestate.com/australia/proposal. For legal reasons, all calls to the Information Line will be recorded.

2 DB RREEF Trust

2.1 Overview of DRT

The Transaction will create a major diversified property group to be known as DRT with access to an integrated global real estate business.

The Transaction has four key elements:

- combining three listed property trusts – DDF, DIT and DOT – and a newly formed trading trust, DRO – by the Stapling of their Units. Stapling involves the creation of a common investor base in DDF, DIT, DOT and DRO and the joint quotation on the ASX of the Units of each of those Trusts such that they can only be traded together. A Stapled Security will comprise one DDF Unit, one DIT Unit, one DOT Unit and one DRO Unit. See Section 3;
- the acquisition by DRO of a 50% interest in DRFM, thus partially internalising management of the Trusts. The remaining 50% interest will be held by Deutsche Bank. See Section 4;
- the acquisition by DDF and DIT of an 80% interest in the US Assets. See Section 5; and

- the proposed investment of A\$25 million in DWPF (with the ability to increase this investment by up to a further A\$25 million). See Section 6.

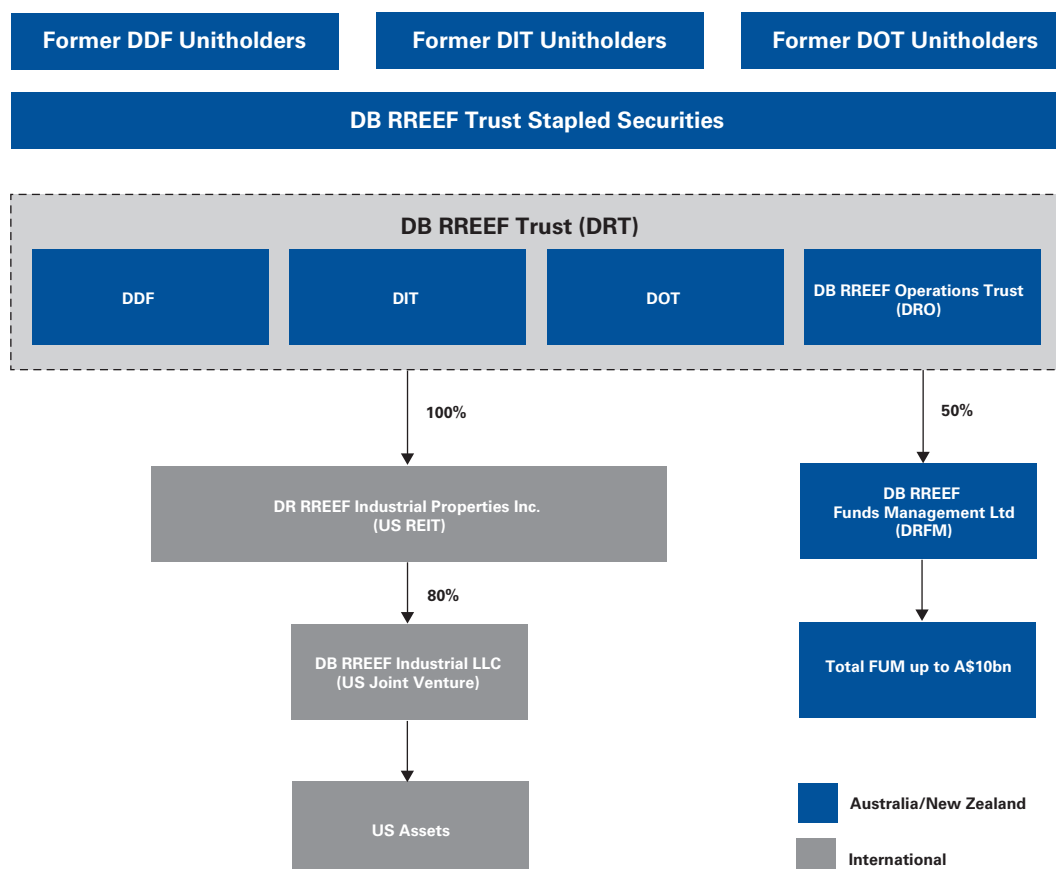
DRT is expected to be one of the larger property groups listed on the ASX, with a market capitalisation in excess of A\$3.0 billion.

Initially, DRT will have two core operating activities:

- direct ownership interests in A\$6.2 billion of property across office, industrial, retail and car parks in Australia and New Zealand and industrial in the US; and
- funds management activities across this A\$6.2 billion of directly owned property and a further A\$3.9 billion of third party owned property FUM and other assets, subject to receiving requisite consents.

In respect of the US Assets, the US Joint Venture (as described in Section 5) will appoint DB Real Estate's US real estate funds manager, RREEF, to manage those assets on its behalf.

Summary of DRT's group structure



2 DB RREEF Trust

2.2 Rationale for the Transaction

The overriding rationale for the Transaction is to provide enhanced value for Unitholders.

A wide range of factors were considered when formulating the Transaction, including:

- each Trust's current prospects;
- future property and business opportunities available to each Trust; and
- the overall property environment, including internal versus external management models and current sectoral consolidation.

Taking into account all relevant factors, DBRE and DeAM concluded that value should be delivered to Unitholders by:

- stapling DDF, DIT and DOT together with DRO to facilitate earnings accretive property and property related business acquisitions;
- gaining access to an integrated global real estate platform with significant critical mass to facilitate further asset and earnings growth;
- improving diversification across both geographical regions and asset classes;
- leveraging the globalisation of real estate investments by utilising relationships with DB Real Estate globally and RREEF in the US specifically;
- diversifying the Trusts' income streams through property management and associated activities; and
- partially internalising DRFM so that DRO obtains a 50% interest in the funds management fees paid to DRFM.

If the Transaction proceeds, DRT will have an expanded business platform which delivers:

- the ability to expand its direct property portfolio through further acquisitions both domestically and globally;
- new income streams from funds and property management of directly owned and third party owned assets;
- reduced operating and funding costs;
- integrated property investment, development and management; and
- the potential to acquire and develop new real estate related businesses.

DRFM expects to capitalise on DB Real Estate's competitive strengths by accessing its platform and integrated business model. The platform is expected to provide significant opportunities to focus on office and industrial markets globally and retail assets where strong partnerships can add value. Other property related asset classes will be considered where appropriate.

2.3 DRT's operating strategy

The primary objective of DRT will be to maximise total returns to investors through active management, within appropriate risk parameters, to provide a combination of income and capital growth over the medium to long term.

Initially, DRT will hold investments in a diversified portfolio of office, industrial, retail and car park assets throughout Australia and New Zealand, and industrial assets in the US. Over the medium term, DRT may also invest in other types of property.

DRT will also consider investments in other property related asset classes and countries, subject to risk and return criteria, as well as manage assets for itself and on behalf of third parties.

DRT's strategy is to enhance value for Stapled Securityholders by:

- acquiring new property related assets, including international assets (through the DB Real Estate global platform), with a present long term goal of international assets comprising 35–50% of the total direct property portfolio;
- redeveloping appropriate properties or undertaking new developments where value adding opportunities exist;
- optimising tenancy terms and reducing vacancies by maintaining and developing relationships with tenants to meet their current and future needs;
- improving the profitability of its funds management business through growing its FUM whilst actively managing its cost structure;
- retaining funding flexibility and capacity for active capital management;
- exploring opportunities to undertake other property related businesses if they have the potential to be accretive to earnings or total returns; and
- selling selected non-core assets.

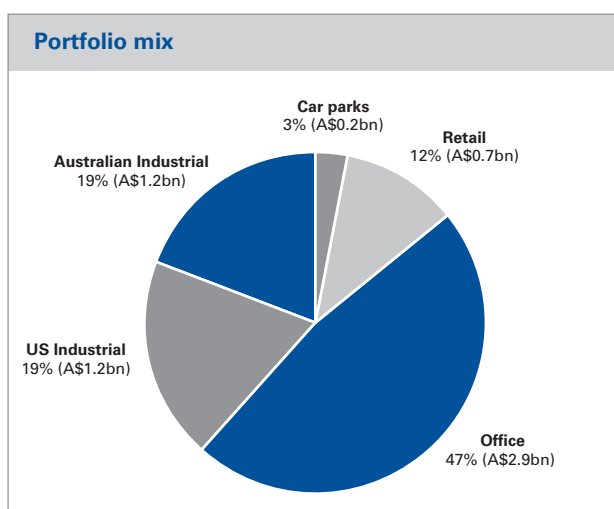
2 DB RREEF Trust

2.4 Overview of DRT's operations

(a) Income producing property portfolio

(1) Portfolio Summary

DRT's direct property portfolio will have interests in total assets of approximately A\$6.2 billion. At completion of the Transaction, this portfolio will be approximately weighted 81% towards Australian and New Zealand assets and 19% towards US assets, diversified across four property asset classes, as follows:



DRT's investments will be undertaken on both a wholly owned basis and through joint ventures with co-owners.

Details of DRT's direct property portfolio at completion of the Transaction can be found in Section 21. With investments spreading across Australia, New Zealand and the US, the portfolio benefits from geographic diversity.

(2) Portfolio overview by property type

Office

On completion of the Transaction, DRT will wholly own, or have joint ownership interests in 25 office properties in Australia and New Zealand with a total value of A\$2.9 billion.

The office portfolio will consist of premium, A-grade and B-grade assets with exposure to a wide diversity of tenant types including government and corporate tenants.

The office properties are located in the major office markets in Sydney, North Sydney, Chatswood, Parramatta, Melbourne, Brisbane, Perth and Canberra in Australia and Auckland in New Zealand.

Total net lettable area of the office portfolio was approximately 545,400 square metres as at 30 June 2004.

The occupancy level for the office portfolio was approximately 91% as at 30 June 2004. The average unexpired lease term was approximately 5.6 years as at 30 June 2004.

Australian Industrial

On completion of the Transaction, DRT will wholly own, or have joint ownership interests in industrial assets in Australia with a total value of approximately A\$1.2 billion.

The Australian industrial portfolio consists of high quality industrial estates, distribution centres, office and business parks and is located in Sydney, Melbourne, Adelaide, Perth and Brisbane.

Approximately 88% of the Australian industrial portfolio is located in the Sydney and Melbourne markets.

Total net lettable area of the Australian industrial portfolio was approximately 1,100,000 square metres as at 30 June 2004.

The occupancy level for the Australian industrial portfolio was 95% whilst the average unexpired lease term profile was 4.3 years as at 30 June 2004.

US Industrial

The US industrial portfolio consists of high quality industrial buildings located in 18 metropolitan areas across the US. See Section 5 for further information.

Retail

After the other transactions described in Section 7, DRT will have a 50% ownership interest in six shopping centres in Australia with a total (100% basis) value of approximately A\$1.5 billion.

The retail portfolio will be jointly owned with the Westfield Group, which will be appointed as property manager.

The retail portfolio (after the other transactions – see Section 7) will have total net lettable area of approximately 290,362 square metres and approximately 935 retail outlets as at 30 June 2004.

The retail portfolio provides development opportunities through the future expansion of some of the shopping centres.

Car Parks

On completion of the Transaction, DRT will own five commercial car parks in Australia which have been leased to professional car park operators, with a total value of approximately A\$0.2 billion as at 30 June 2004.

The car parks contain approximately 4,000 car spaces and are located near major office, entertainment and leisure precincts in Sydney, Melbourne and Brisbane.

2 DB RREEF Trust

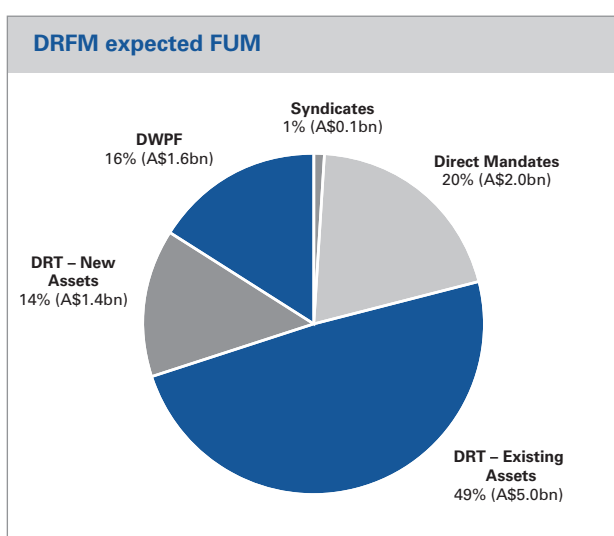
(b) Property funds management business

DRT will acquire a 50% interest in DRFM and its parent, DRH, from a subsidiary of Deutsche Bank. See Section 4.

DRT's property funds management activities will be collectively undertaken by DRFM and its parent DRH.

Together, DRH and DRFM will be one of Australia's larger property fund managers and are expected to have responsibility for management of approximately A\$10.1 billion of real estate.

A breakdown of DRFM's expected FUM is as follows:



If the Transaction proceeds, DRFM's activities will be comprised the following:

- acting as the responsible entity of the Trusts;
- acting as investment and asset management of the STC and AXA direct property portfolios;
- acting as a delegated investment manager of DWPF, see Sections 4 and 6, and
- acting as the responsible entity of three property syndicates (subject to consent of the members of those syndicates).

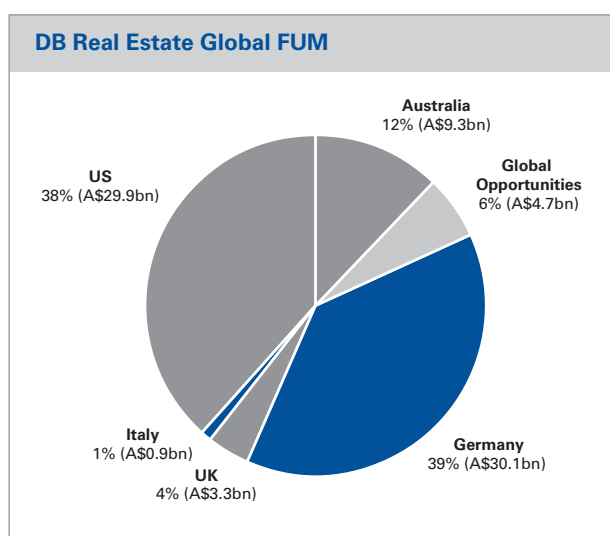
Whilst DRFM will have the ability to charge a 1% management fee under the new Constitutions of each of the Trusts, if the Transaction proceeds, DRFM intends to charge a base management fee of 0.45% of gross assets (except for the US Assets where it will be 0.35% of gross assets) for DDF, DIT and DOT with no performance fees. In respect of DRO, DRFM intends to waive its management fee except for costs associated with management time pursuing new business opportunities for DRO.

2.5 Overview of DB Real Estate (including RREEF)

Upon execution of relevant documents, DRFM will be 50% owned by DRO in a joint venture with Deutsche Bank. Through this joint venture, DRT will continue to have access to Deutsche Bank's global real estate group, DB Real Estate which includes RREEF.

(a) DB Real Estate

DB Real Estate is one of the world's leading real estate equity managers, with in excess of 2000 staff and total real estate FUM of more than A\$78 billion as at 30 June 2004, located as follows:



(b) RREEF

In April 2002, Deutsche Bank acquired RREEF to form part of its global real estate investment management business, DB Real Estate.

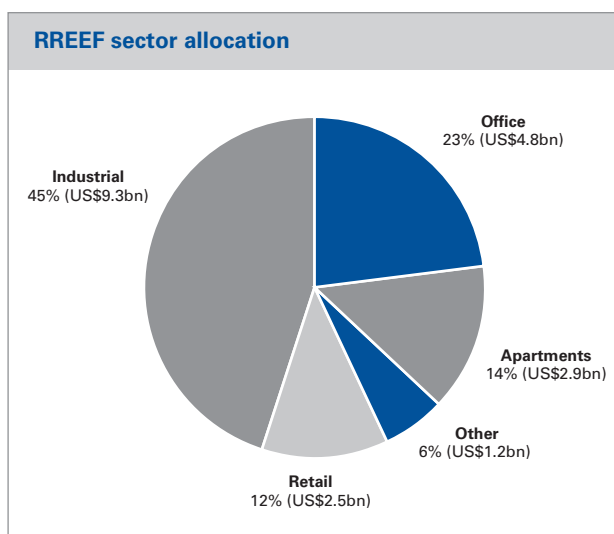
RREEF is a full service US real estate investment adviser founded in 1975, which has a national market presence throughout the US, including 119 property management offices and approximately 1,200 staff incorporating 700 dedicated real estate professionals across research, acquisitions, disposals, property management and developments.

RREEF is one of the largest real estate investment managers in the US with an investment bias towards multi-tenant, core to higher yielding, value added and management intensive properties.

Overall, RREEF manages 600 properties totalling in excess of 177 million square feet and with a total value of US\$16.0 billion, in addition to US\$4.7 billion of public REIT securities as at 30 June 2004.

2 DB RREEF Trust

RREEF's FUM was approximately US\$20.7 billion as at 30 June 2004. The US portfolio that RREEF managed as at 30 June 2004 was split as follows:



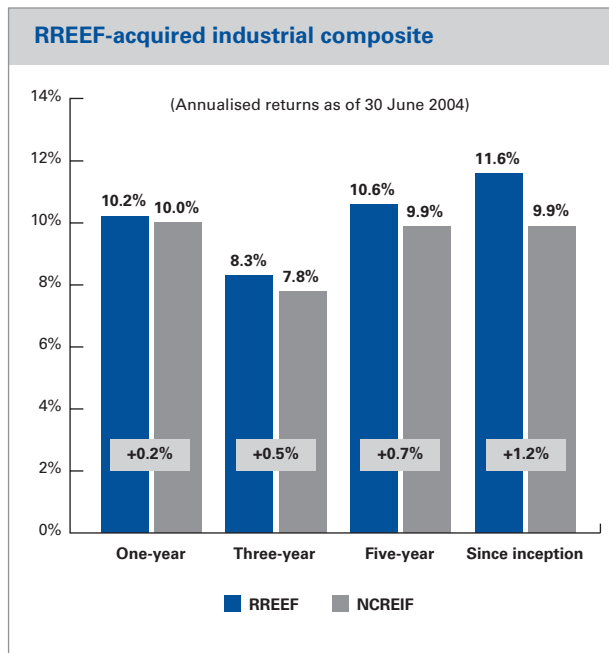
RREEF has the ability to source properties across all real estate asset classes. The table below sets out acquisitions on behalf of RREEF's clients for the period 2000 to 2004:

Property Type	Number of Properties	US\$ billion
Industrial	90	5.0
Office	54	2.7
Apartments	39	1.4
Retail	21	1.0
Other	3	0.2
Total	207	10.3

RREEF is one of the largest US industrial property managers and has acquired US\$5.0 billion of industrial assets since 2000. Industrial assets are a core asset class for RREEF, which currently manages 356 industrial properties totalling approximately 124 million square feet with a total value of approximately US\$9.3 billion.

RREEF invests in properties, including office buildings, shopping centres, business parks, warehouse or distribution buildings and apartments. RREEF looks for opportunities to add value through renovation, expansion or repositioning of existing properties.

Over the long-term, RREEF has maintained a track record of investment out-performance. The chart below shows annualised unleveraged returns since 1 January 1976 over acquired industrial properties compared to the National Council of Real Estate Investment Fiduciaries (NCREIF) Index.



Note: The chart above is based on a composite of RREEF's returns for direct real estate investing for RREEF acquired industrial investments. This composite includes both separate account and commingled investments. The fair market value of this composite of RREEF-acquired investments as of 30 June 2004 was US\$6.7 billion. Past performance is not a guarantee of future results. (Inception date for NCREIF is 4Q1977).

DRT will be one of RREEF's largest clients with its portfolio representing approximately 15% of RREEF's total properties, 6% of its direct property funds under management and 16% of its industrial area under management.

2.6 Boards of directors

(a) Current boards

As at the date of this Explanatory Memorandum, the directors of DBRE, DeAM and DRFM are as follows:

Name	Position
Christopher Beare	Chairman, Independent
Stewart Ewen	Independent Director
Shaun Mays	Executive Director
William Robinson	Independent Director
Brian Scullin	Non-Executive Director
David Shields	Executive Director

2 DB RREEF Trust

It is intended that after the Transaction is implemented the board of directors of DRFM will initially be made up of seven directors (including three DAL appointed directors) with an ability to increase to nine in accordance with the terms of the Shareholders Deed (details of which are set out in Section 19.2(b)). Whether the board comprises seven or nine directors, the majority must be independent directors.

Under the terms of the proposed Shareholders Deed, the parties agree that the boards of DRH and DRFM will comprise the same persons.

The initial directors proposed to be appointed, or to remain in office, when DRO acquires its 50% of DRH are as follows:

Name	Position
Christopher Beare	Chairman, Independent Director (Interim)
Stewart Ewen	Independent Director
Victor Hoog Antink	DRFM CEO and DAL appointee
Shaun Mays	DeAM CEO and DAL appointee
Daniel Weaver	RREEF Executive and DAL appointee
To be appointed	Independent Director
To be appointed	Independent Director

It is currently proposed that Christopher Beare will accept the position of Chairman for an initial period only, to ensure an orderly transition and continuity for Unitholders. Following this transition, Christopher may stand down and a new independent Chairman will be appointed.

It is proposed that Victor Hoog Antink will be appointed the first CEO of DRH and DRFM. For future CEO appointments, DAL will nominate a person to be CEO, but the nomination will be subject to approval of the board of DRH.

The appointment of independent directors is subject to approval by Stapled Securityholders at least once every three years by rotation. A casual vacancy in the office of an independent director must be filled by a person nominated by the other independent directors subject to approval at the next general meeting of Stapled Securityholders. A Stapled Securityholder may by written notice, nominate a person, including themselves or another Stapled Securityholder, to be appointed to the boards of DRH and DRFM. The Stapled Securityholders, by resolution at a general meeting, may nominate any person to be an independent director. DRFM must appoint that person as a director provided that in DRFM's case it is satisfied that it is in the best interests of the Stapled Securityholders to do so.

(b) Biographies of the current directors

Chairman

Christopher Beare BSc, BE (Hons), MBA, PhD, FAICD

Chris Beare has had wide experience in technology, finance and investment. He joined investment bank Hambros Australia in 1991, becoming Head of Corporate Finance in 1994 and Joint Chief Executive from 1995 until Hambros was acquired by Societe Generale in 1998. During that period Hambros was active in infrastructure, telecoms, media, and China. Chris remained a director of SG Australia until 2002. From 1998, he helped form Radiata as a technology start-up in Sydney and Silicon Valley and as Chairman and Chief Executive Officer steered it to a successful sale to Cisco Systems in 2001. For four years prior to joining Hambros, Chris was Executive Director of the Melbourne based Advent Management venture capital firm. Chris has been a director of a number of companies in the finance, infrastructure and technology sectors.

Chris is Chairman and an independent, non-executive director of DeAM, DBRE and DRFM.

Directors

Stewart Ewen FILE

Stewart Ewen has extensive property experience, commencing with the Hooker Corporation in 1966 where he worked throughout Australia and South East Asia. In 1983 he established Byvan which, by 2000, managed A\$8 billion in shopping centre assets in Australia, Asia and North America. In 1999, he sold his interest in Byvan to the Savills Group in London, remaining as Chairman until 2001. As the major partner of NavyB Pty Ltd, he has completed numerous residential and commercial property projects. He has also held the position of Managing Director of Enacon Ltd, and was instrumental in the establishment of Converting Technology Pty Ltd. Stewart has also served as President of the Property Council of NSW and is Chairman of the Cure Cancer Australia Foundation. Stewart is a director of Capita Commercial Trust Management Limited, Singapore.

Stewart is an independent, non-executive director of DeAM, DBRE and DRFM.

Shaun Mays BSc (Hons), MSc, MBA

Shaun Mays was appointed the Australian Chief Executive Officer of Deutsche Asset Management on 13 May 2004. Prior to this he was Managing Director of Westpac Financial Services. Previously, he was Chief Investment Officer of Commonwealth Financial Services and Managing Director and Chief Investment Officer of Mercury Asset Management.

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Shaun has more than 16 years experience in the funds management industry, in both executive management and investment positions in Australia and the United Kingdom. In addition to his traditional asset management expertise, Shaun has experience in the property and private equity sectors. Shaun is a member of the National Environment Education Council and the Australian Stock Exchange Listings Appeals Committee.

Shaun is an executive director of DeAM, DBRE and DRFM.

William Robinson ABIA, AASA, FAICD

Bill Robinson was with the Reserve Bank of Australia from 1955 until 1975. Following senior appointments at the Asian Development Bank and the Rome-based International Fund for Agricultural Development, he was Financial Adviser to His Highness The Aga Khan from 1980 to 1999. In this latter role he was also a director of numerous listed and unlisted companies in Europe, Asia, Africa and the US. On his return to Australia in 1999, he took on a non-executive role with the Deutsche Bank Group and is chairman of a number of its compliance and audit committees. He is also currently a director and audit committee chairman of the Emerging Markets Growth Fund Inc., which is managed by the US-based Capital Group.

Bill is an independent, non-executive director of DeAM, DBRE and DRFM.

Brian Scullin BEc

Following a career in government and politics in Canberra, Brian Scullin was appointed the inaugural Executive Director of the Association of Superannuation Funds of Australia (ASFA) in 1987. He joined Bankers Trust in Australia in 1993 and held a number of senior positions, becoming President of Japan Bankers Trust in 1997. In 1999 he was appointed Chief Executive Officer – Asia/Pacific for Deutsche Asset Management and retired from this position in 2002. Brian was also a non-executive director of a number of Deutsche Asset Management companies in Asia and Japan. Brian is currently a part-time member of the Federal Government's Financial Reporting Council (FRC).

Brian is a non-executive director of DeAM, DBRE and DRFM.

David Shields BE (Hons), MBA

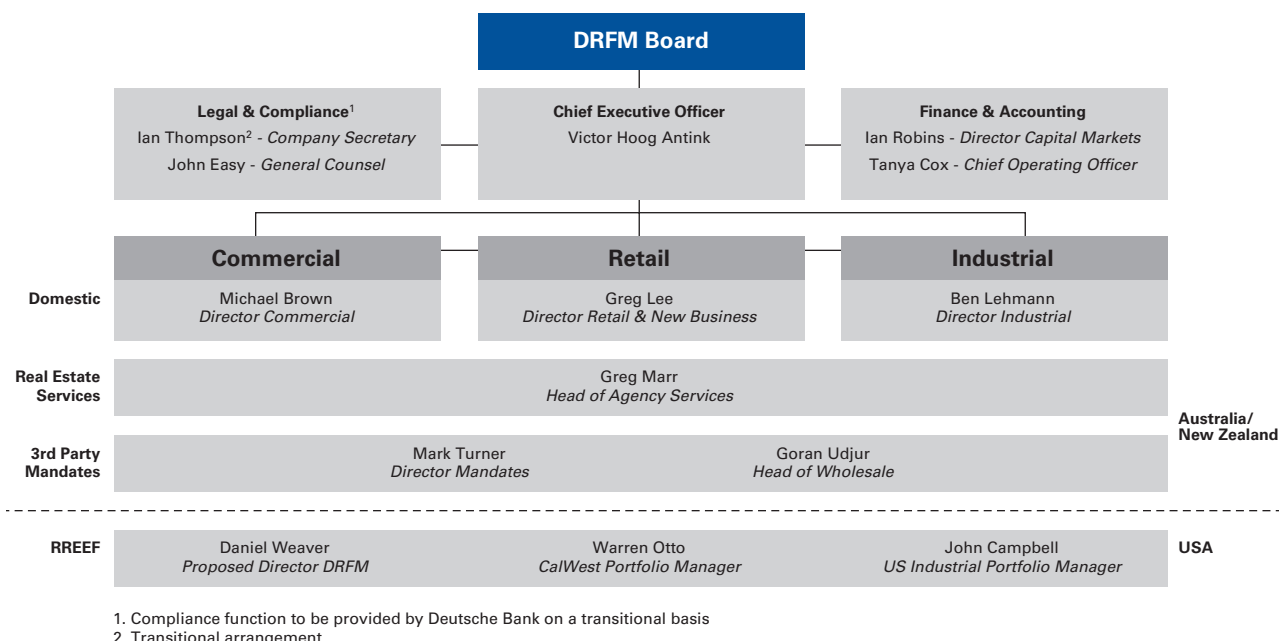
David Shields joined Deutsche Asset Management in 1993 and is currently the Head of DB Capital Partners, the private equity investment business within Deutsche Asset Management. He has 20 years' experience in funds management and private equity, having previously worked for AIDC Limited, Advent Management Group and Australian Pacific Technology Limited.

David is an executive director of DeAM, DBRE and DRFM.

2 DB RREEF Trust

2.7 DRFM organisational structure

DRFM's organisational structure is depicted below.



2.8 Senior management

DRFM's senior management team will have responsibility for the day to day management of DRT and third party mandates. Its main functions will be to:

- develop and implement investment strategies;
- maintain the processes required to ensure that DRFM's fiduciary obligations to Stapled Securityholders and third party investors are met and that these obligations have priority over all other duties;
- maintain DRFM's records and prepare financial statements of all funds; and
- develop, implement, review and monitor risk management and compliance policies.

DRFM's senior management team will be comprised of the following people:

Chief Executive Officer

Victor Hoog Antink

Victor is the Head of DB Real Estate in Australia with ultimate responsibility for the performance of approximately A\$9 billion of property in four listed entities, a wholesale fund, a number of private mandates and three property syndicates. He is also

a member of Deutsche Asset Management's Executive Committee in Australia as well as Deutsche's Global Real Estate Executive Committee.

With more than 22 years' experience in property and finance, Victor has played an active role within the global property industry and in particular with the Property Council of Australia, where he was recently appointed National Vice President and Director.

Victor joined Deutsche in November 2003 after 8.5 years at Westfield Holdings where he was the Director of Funds Management, responsible for both the Westfield Trust and the Westfield America Trust, the two largest Listed Property Trusts in Australia with a combined market capitalisation in excess of A\$14 billion and over 70,000 investors.

Victor has a commerce degree from the University of Queensland and an MBA from the Harvard Business School. In addition to his roles at the Property Council of Australia (PCA), Victor is a Fellow of the Australian Property Institute, a Fellow of the Institute of Chartered Accountants in Australia, and a Member of the Institute of Company Directors.

2 DB RREEF Trust

Legal

General Counsel

John Easy

John joined Deutsche Asset Management in 1997 and is now the senior lawyer servicing DB Real Estate. During his time within the group he has been involved in the establishment and public listing of DOT, the acquisition of the Paladin and AXA property portfolios, together with the day to day carriage of legal issues affecting the property portfolio.

Prior to joining Deutsche Asset Management John was employed as a senior associate in the commercial property/funds management divisions of law firms Allens Arthur Robinson and Gilbert & Tobin.

John graduated from the University of New South Wales in 1990 with Bachelor of Laws and Bachelor of Commerce (Major in Economics) degrees.

Finance and Accounting

Director Capital Markets

Ian Robins

Ian joined Deutsche Bank in 1998. Ian is Director of Capital Markets for DB Real Estate in Australia, where his primary responsibilities include equity capital markets and origination of real estate funds management product in Australia and Asia.

Prior to joining DB Real Estate, Ian was a director with the Real Estate Investment Banking group within Deutsche Bank. Responsibilities included the origination and execution of a number of listed property trust IPOs, mergers and acquisitions and restructuring initiatives within the listed property trust sector.

Ian has Bachelor of Arts (Accounting), has undertaken post graduate studies, and is an Associate of the Institute of Chartered Accountants in Australia.

Chief Operating Officer

Tanya Cox

Tanya joined DB Real Estate in July 2003 as Chief Operating Officer, responsible for the efficient management of the overall real estate business in Australia.

Tanya has held various general management positions over the past 15 years, including Director and Chief Operating Officer of NM Rothschild & Sons (Australia) Ltd and General Manager – Finance, Operations and IT of Bank of New Zealand (Australia).

Tanya completed her MBA at the Australian Graduate School of Management in 1999. Tanya is also a member of the Australian Institute of Company Directors, a director of several not-for-profit organisations and an adviser to Cricket NSW. Tanya was also previously a mentor to the NSW Government Small Business Program.

Portfolio Management

Director Commercial

Michael Brown

Michael joined DB Real Estate in 1994 as an Asset Manager and became the STC Fund Manager in 1997. Since late 1998 Michael has taken on the role of Fund Manager for the Deutsche Office Trust.

Prior to his role at DB Real Estate, Michael spent ten years working at the University of Sydney in the property division and was responsible for a commercial, residential and rural property portfolio.

Michael graduated from the University of New South Wales with a Bachelor of Commerce and from the University of Technology with a Graduate Diploma in Urban Estate Management. Michael is a CPA and a member of the Australian Property Institute.

Director Retail & New Business

Greg Lee

Greg joined DB Real Estate in July 2003 and is currently General Manager of the Deutsche Diversified Trust.

With more than 15 years' experience in the property funds management industry, Greg has been responsible for several listed and unlisted property trusts in the office, retail and industrial property sectors.

Greg graduated from the University of Melbourne with a Bachelor of Commerce degree and is an Associate of the Australian Property Institute.

Director Industrial

Ben Lehmann

Ben joined DB Real Estate in 1999 and currently heads DIT. Ben has been instrumental in driving the significant growth and performance of DIT over the last three years.

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Ben has over 15 years' experience in the property industry, the majority of which has involved asset and portfolio management of both direct and securities portfolios. Ben's direct experience includes portfolio management across all major property sectors including hotel and leisure.

Ben graduated from the Australian Graduate School of Management in 2001 on completion of an MBA. Ben is a licensed real estate agent, registered valuer and a member of the Securities Institute of Australia.

Real Estate Services

Head of Agency Services

Greg Marr

With over 17 years' experience in the property industry, Greg is currently Head of Agency Services at DB Real Estate, responsible for leasing, valuations, sales and acquisitions, and building services on behalf of the various clients within the DB Real Estate group. Greg's role incorporates the sale and acquisition of all assets for these clients.

When Greg joined DB Real Estate in 1994 he was initially manager of the property leasing team where his responsibilities included developing and implementing leasing and marketing strategies for each property. Previously Greg spent seven years working at CB Richard Ellis Property Consultants as associate director of leasing, both in the Perth and Sydney commercial property markets. He was responsible for the project leasing and marketing of the QV1 office tower in Perth, as well as several other projects in both cities.

Greg graduated from the University of Sydney with a Bachelor of Education degree before completing a Real Estate Sales Representatives Certificate with REIWA. He is also an Associate of the Australian Property Institute.

Third Party Mandates

Director Mandates

Mark Turner

Mark joined DB Real Estate in 1999 as STC Property Fund Manager and was appointed Head of Direct Mandates in 2001.

Mark immigrated to Australia in 1989, following ten years of property-related experience in the UK working for a major national real estate agency, holding a number of positions in valuations, consultancy, agency and property management. Upon arrival in Australia he initially worked for a major real estate agency, and then spent eight years with Lend Lease, holding various asset and fund management roles with both listed and direct property funds.

Mark graduated from Portsmouth Polytechnic with a Bachelor of Science degree in Urban Land Administration and is a Chartered Valuation Surveyor and a licensed Real Estate Agent in NSW.

Head of Wholesale

Goran Ujdur

Goran joined DB Real Estate in 1998 as Head of Real Estate Research and Investments, responsible for overseeing real estate research and investment strategy, including financial models and performance reporting of all property assets under management. Since 2002 Goran has taken on the role of Head of Wholesale Real Estate with responsibility for the strategic management and growth of this area of the business.

Goran has worked in the real estate and broking industry for the past 12 years and has held positions with Knight Frank as National Director of Research, JLL Advisory as NSW Research Manager and with what is now UBS as listed property trust analyst.

Goran holds a Bachelor of Commerce, majoring in Accounting from Auckland University. He is also a member of the NZ Institute of Chartered Accountants and an associate member of the Australian Property Institute.

RREEF

Proposed Director, DRFM

Daniel Weaver

With over 18 years of real estate experience, primarily with firms specialising in retail property, Daniel joined RREEF's acquisition group in 1996. Daniel's responsibilities entail overseeing RREEF's retail property acquisitions, including expanding its target markets and serving as the retail specialist on RREEF's Investment Committee. Prior to his current role, Daniel was most recently a portfolio manager for one of RREEF's separate account pension fund clients.

Prior to joining RREEF, Daniel was a vice president with Homart Development Co.

Daniel is a member of the International Council of Shopping Centres (ICSC) and the Association of Foreign Investors in Real Estate (AFIRE). He holds an undergraduate degree in architecture and an MBA from Miami University.

2 DB RREEF Trust

CalWest Portfolio Manager

Warren Otto

With 28 years of experience in market research and real estate asset management, Warren joined RREEF in 1994. He is currently the Portfolio Manager of CalWest Industrial Properties, LLC, a joint venture between CalPERS and RREEF.

Prior to 1994 Warren was Manager of Real Estate Investments for the US\$15 billion Ameritech Pension Trust, responsible for working out joint ventures and restructuring investments for Ameritech's real estate portfolio.

He also spent 15 years with The Landsing Corporation, a real estate investment management and syndication firm headquartered in the San Francisco Bay Area, where he performed a wide variety of services including acquisition, disposition, asset management, and market research for several metropolitan areas.

Warren graduated cum laude from Harvard College in 1976 majoring in economics.

US Industrial Portfolio Manager

John Campbell

With over 20 years of industry experience, John joined RREEF in Chicago in July 2003, as Director, Portfolio Management, responsible for portfolio management of industrial investments owned by CalPERS and TIAA-CREF valued in excess of US\$1.2 billion.

John was most recently Executive Director, Funds Management at Prudential Real Estate Investors in New Jersey, planning and directing all of their real estate funds management activities across Asia, valued in excess of US\$1 billion. Prior to that he spent a number of years at Heitman Financial in Chicago providing real estate investment and advisory services.

John graduated with a Bachelor of Business Administration in 1981 and is a member of a number of industry bodies in the United States, including the Urban Land Institute, the

National Association of Industrial and Office Properties, the National Association of Real Estate Investment Trusts, the Pension Real Estate Association and the National Association of Realtors.

2.9 Corporate governance

Role of the board

The board of directors of DRFM will be responsible for the corporate governance of DRT.

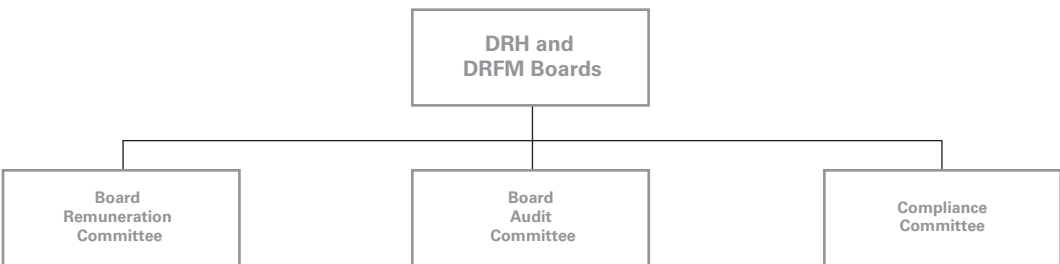
The board will implement a corporate governance regime, including appointing its own committees, to ensure that DRT is prudently managed, so as to protect and enhance Stapled Securityholders' interests in a manner that is consistent with the objectives and Constitutions, and DRFM's products' mandates.

The board will conduct its role pursuant to a formal charter which defines its responsibilities and governance processes in detail. Its main functions will be to:

- ensure that all fiduciary obligations are met and that these obligations have priority over all other duties;
- review, approve and monitor each product's investment strategy;
- ensure that financial statements are true and fair and otherwise conform with the law;
- monitor management's investment and operational goals and processes; and
- ensure that management's risk management and compliance policies are appropriate and are regularly monitored and appropriately acted upon.

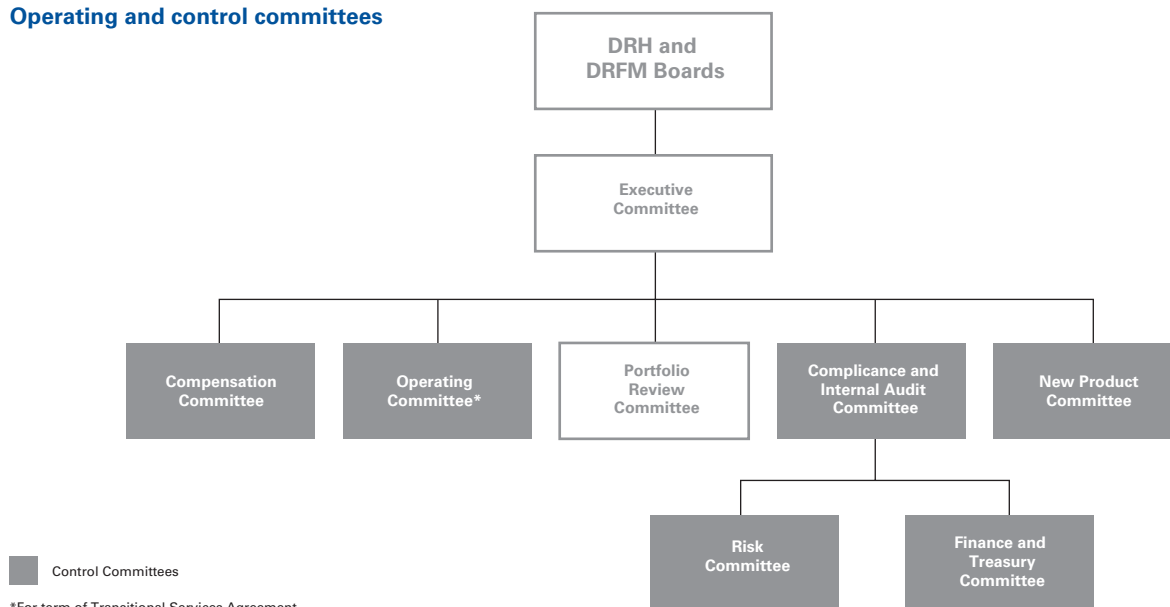
A number of matters relating principally to the operation of DRH and DRFM must be referred to the Shareholders for approval. These are set out in Section 4 and more fully in Section 19.

Board committees



2 DB RREEF Trust

Operating and control committees



Operating and control committees

The board will oversee the establishment of both operating and control committees as detailed in the Shareholders' Deed. These committees define the corporate governance and control environment of DRH and DRFM.

Corporate governance policies

(a) Control environment

The control environment of DRH, DRFM and their subsidiaries must include policies relating to:

- "Chinese walls" and protection of information;
- management of conflicts of interest arising in the course of the conduct of business;
- management of conflicts of interest arising from personal interests of employees, including adoption of a code of conduct, staff trading policies and policies relating to receipt of gifts and benefits;
- handling of breaches, errors and complaints;
- anti-money laundering, identification and reporting of suspicious transactions and new client screening processes; and
- approval of new products.

In addition, until such time as the Shareholders agree otherwise, DRFM, DRH and their subsidiaries must register all potential transactions with DAL's compliance area for the purpose of management of conflicts of interest and must participate in the effective management of these conflicts.

(b) Related party transactions

DRT may invest in funds or assets of which DRFM or its associates are the responsible entity, manager, trustee or promoter.

DRFM may also delegate the management of the Trusts to a related body corporate and DRFM related bodies corporate may receive fees from these arrangements on an arm's length basis.

Any such investment transactions or arrangements will be the subject of strict legal and compliance guidelines, including a requirement that they be on arm's length terms and in the ordinary course of business.

(c) Disclosure

DRFM will have procedures for continuous disclosure of information to the ASX in accordance with the ASX Listing Rules. These will relate to the types of information that should be disclosed, timing and allocation of key responsibilities.

2 DB RREEF Trust

Corporations Act compliance

(a) Managed investments regime

The Trusts are managed investment schemes registered with ASIC and accordingly are subject to compliance obligations under Parts 5C.4 and 5C.5 of the Corporations Act.

(b) Compliance plan

Each Trust's compliance plan sets out measures that its responsible entity will apply in operating the Trust to ensure compliance with the Corporations Act 2001 and the Trust's Constitution.

(c) Compliance committee

DRFM has established an independent Compliance Committee. In respect of each Trust, the functions of the Compliance Committee will be:

- to monitor adherence to the Trust's compliance plan and to report its findings to the board;
- to report to the board any breach of the Corporations Act or the Trust's Constitution;
- to report to ASIC if DRFM fails to take appropriate action following certain breaches; and
- to assess at regular intervals whether the compliance plan is adequate.

3 The Transaction – the Stapling Proposal

3.1 The Stapling Proposal

The Stapling will create a common investor base across the Trusts. The Stapling is to be achieved by amendment of the constitutions of DDF, DIT and DOT to include provisions to permit the Stapling to occur (the constitution of DRO already includes these provisions). Each of the Trusts will issue Units to Unitholders of the other Trusts (other than DRO) and the Units of the four Trusts will be Stapled to each other.

The Stapling Ratios determine the entitlement of existing DDF, DIT and DOT Unitholders to Stapled Securities and are as follows:

Trust	Stapling Ratios	Approximate number of Stapled Securities per 100 existing Units
DDF	1.0000000000	100
DIT	1.5110759679	151
DOT	0.9317613987	93

The actual number of Stapled Securities issued to individual Unitholders will be rounded to the nearest whole number.

The value contributed by each group of Unitholders to DRT has been approved by the boards of DeAM and DBRE based on a number of factors including the relative value and prospects of each Trust.

Accordingly, there will be an adjustment to the number of DIT Units and DOT Units on issue immediately prior to the Stapling to ensure that the percentage ownership interests of the three groups of Unitholders in DRT reflect the Stapling Ratios.

On completion of the Transaction, the Units in each Trust will be quoted and traded together as Stapled Securities on the ASX under the name of DB RREEF Trust (ASX code DRT).

As the Trusts will have a common Unitholder base and the same responsible entity, DRT will be run as an integrated group.

DRFM will enter into a Stapling Implementation Deed Poll in favour of Unitholders to do all such things as are necessary to implement the Stapling. That Deed Poll and the Conditions to Stapling are summarised in Section 19.

3.2 Effect of the Stapling

After Stapling:

- a transfer of Units in any of the Trusts can only be completed if it is accompanied by a transfer of an equal number of Units in each other Trust;
- any issue or redemption of Units by a Trust must be matched by an issue or redemption of an equal number of Units in each other Trust;
- Stapled Securities will trade together as one on the ASX and will not be able to be traded or dealt with separately;
- Stapled Securityholders will receive combined reports from DRT; and
- Stapled Securityholders will receive one distribution payment each half-year and an annual taxation statement after the end of each financial year.

However, the Units in each Trust will remain as separate assets for Australian tax purposes and on a sale of Stapled Securities the sale price will, for Australian tax purposes, be apportioned over the four separate Units comprising the Stapled Security. For further information on the Australian taxation implications of Stapling refer to the taxation report in Section 12.

3.3 Stapling Proposal for DDF Unitholders

On implementation of the Stapling Proposal, each DDF Unitholder holding DDF Units on the Stapling Record Date will receive 1.00 Stapled Security for each DDF Unit held.

Each Stapled Security will comprise a DDF Unit, and a newly issued Restructured DIT Unit, DRO Unit and Restructured DOT Unit.

The key steps to implement the Stapling Proposal for DDF are as follows:

- (a) the responsible entity of DDF will make a capital distribution of A\$0.362 per DDF Unit held on the Stapling Record Date. The Australian tax consequences of this capital distribution are explained in Section 12;
- (b) the responsible entity of DDF will apply the proceeds of the capital distribution of A\$0.362 per DDF Unit to subscribe, on behalf of DDF Unitholders, for one Restructured DOT Unit for A\$0.20, one Restructured DIT Unit for A\$0.16 and one DRO Unit for A\$0.002 for each DDF Unit held on the Stapling Record Date;

3 The Transaction – the Stapling Proposal

- (c) each DDF Unitholder on the Stapling Record Date will be issued one Restructured DIT Unit, one Restructured DOT Unit and one DRO Unit for each DDF Unit held on the Stapling Record Date;
- (d) the responsible entity of DDF will issue one DDF Unit for A\$0.20 to each Unitholder of DIT and DOT for each Restructured DIT Unit or Restructured DOT Unit held by the Unitholder; and
- (e) each DDF Unit will be “Stapled” to one Restructured DIT Unit, one Restructured DOT Unit and one DRO Unit.

At the same time, Unitholders in DOT and DIT will be involved in the process referred to in Sections 3.4 and 3.5 such that, on completion of the Stapling Proposal, each person holding Units in a Trust will hold an equal number of Units in all the Trusts as Stapled Securities.

3.4 Stapling Proposal for DIT Unitholders

On implementation of the Stapling Proposal, each DIT Unitholder holding Existing DIT Units on the Stapling Record Date will receive approximately 1.51 Stapled Securities for each Existing DIT Unit held.

Each Stapled Security will comprise a Restructured DIT Unit, and a newly issued DDF Unit, DRO Unit and Restructured DOT Unit.

The key steps to implement the Stapling Proposal for DIT are as follows:

- (a) the responsible entity of DIT will split each Existing DIT Unit into approximately 1.51 Restructured DIT Units (with each resultant fraction, on aggregating the Restructured Units in any Unitholder’s holding, being rounded to the nearest whole number except in the case of Existing DIT Units that are acquired by the Sale Bank under the Cash Sale and Exchange Facilities, where the Existing DIT Units acquired from each Sale Facility Participant will be treated as a separate holding);
- (b) the responsible entity of DIT will make a capital distribution of A\$0.402 per Restructured DIT Unit held. The Australian tax consequences of this capital distribution are explained in Section 12;
- (c) the responsible entity of DIT will apply the proceeds of the capital distribution of A\$0.402 per Restructured DIT Unit to subscribe, on behalf of DIT Unitholders, for one Restructured DOT Unit for A\$0.20, one DDF Unit for A\$0.20 and one DRO Unit for A\$0.002 for each Restructured DIT Unit held;

- (d) each DIT Unitholder on the Stapling Record Date will be issued one DDF Unit, one Restructured DOT Unit and one DRO Unit for each Restructured DIT Unit held;
- (e) the responsible entity of DIT will issue one Restructured DIT Unit for A\$0.16 to each Unitholder of DDF and DOT for each DDF Unit or Restructured DOT Unit held by the Unitholder; and
- (f) each Restructured DIT Unit will be “Stapled” to one DDF Unit, one Restructured DOT Unit and one DRO Unit.

At the same time, Unitholders in DDF and DOT will be involved in the process referred to in Sections 3.3 and 3.5 such that, on completion of the Stapling Proposal, each person holding Units in a Trust will hold an equal number of Units in all the Trusts as Stapled Securities.

3.5 Stapling Proposal for DOT Unitholders

On implementation of the Stapling Proposal, each DOT Unitholder holding Existing DOT Units on the Stapling Record Date will receive approximately 0.93 Stapled Securities for each Existing DOT Unit held.

Each Stapled Security will comprise a Restructured DOT Unit and a newly issued Restructured DIT Unit, DRO Unit and DDF Unit.

The key steps to implement the Stapling Proposal for DOT are as follows:

- (a) the responsible entity of DOT will consolidate each Existing DOT Unit into approximately 0.93 Restructured DOT Units (with each resultant fraction, on aggregating the Restructured Units in any Unitholder’s holding, being rounded to the nearest whole number, except in the case of Existing DOT Units that are acquired by the Sale Bank under the Cash Sale and Exchange Facilities, where the Existing DOT Units acquired from each Sale Facility Participant will be treated as a separate holding);
- (b) the responsible entity of DOT will make a capital distribution of \$0.362 per Restructured DOT Unit held. The Australian Tax consequences of this capital distribution are explained in Section 12;
- (c) the responsible entity of DOT will apply the proceeds of the capital distribution of A\$0.362 per Restructured DOT Unit to subscribe, on behalf of DOT Unitholders, for one Restructured DIT Unit for A\$0.16, one DDF Unit for A\$0.20 and one DRO Unit for A\$0.002 for each Restructured DOT Unit held;

3 The Transaction – the Stapling Proposal

- (d) each DOT Unitholder on the Stapling Record Date will be issued one DDF Unit, one Restructured DIT Unit and one DRO Unit for each Restructured DOT Unit held;
- (e) the responsible entity of DOT will issue one Restructured DOT Unit for A\$0.20 to each Unitholder of DDF and DIT for each DDF Unit or Restructured DIT Unit held by the Unitholder; and
- (f) each Restructured DOT Unit will be “Stapled” to one DDF Unit, one Restructured DIT Unit and one DRO Unit.

At the same time, Unitholders in DDF and DIT will be involved in the process referred to in Sections 3.3 and 3.4 such that, on completion of the Stapling Proposal, each person holding Units in a Trust will hold an equal number of Units in all the Trusts as Stapled Securities.

3.6 Cash Sale and Exchange Facilities

You do not need to participate in the Cash Sale and Exchange Facilities to receive Stapled Securities if you are an Australian or New Zealand Unitholder on the Stapling Record Date because you will automatically receive Stapled Securities. (Foreign Unitholders should refer to Section 3.7).

While DeAM and DBRE recommend that their respective Unitholders approve the Stapling Proposal in order to receive Stapled Securities, any Unitholder who prefers to sell some or all of their existing Units and receive cash instead of Stapled Securities, if the Transaction proceeds, can do so under the Cash Sale Facility in the Cash Sale and Exchange Facilities.

Further, there may be some Unitholders who may wish to sell their existing Units and receive in exchange Stapled Securities under the Exchange Facility in the Cash Sale and Exchange Facilities. There may be adverse Australian tax consequences to such Unitholders who do or do not participate in the Cash Sale and Exchange Facilities, depending on their individual circumstances.

DeAM and DBRE do not make any recommendation as to whether Unitholders should elect to participate in the Cash Sale and Exchange Facilities or, if so, the nature of that participation. Unitholders should be aware that participating in the Cash Sale and Exchange Facilities will amount to a disposal on the Effective Date of their participating Units for Australian CGT purposes.

A decision whether or not to participate in the Cash Sale and Exchange Facilities and the nature of that participation should be made only after consultation with an investment, financial, taxation or other professional adviser based on each Unitholder’s particular circumstances. General comments on some of the Australian tax implications of participating in the Cash Sale and Exchange Facilities are set out in the Cash Sale and Exchange Facilities Notice and in the taxation report in Section 12.

Instructions on how to participate in the Cash Sale and Exchange Facilities are set out in the Cash Sale and Exchange Facilities Notice. To participate in the Cash Sale and Exchange Facilities, the Cash Sale and Exchange Election Form must be completed and lodged before 10.00am (Sydney time) with the Trust’s registrar on 25 September 2004, otherwise you will be deemed to have elected not to participate in the Cash Sale and Exchange Facilities and will, unless you are a Foreign Unitholder, receive Stapled Securities if the Transaction proceeds.

3.7 Foreign Unitholders

Restrictions in certain foreign countries make it impractical or unlawful to offer or receive securities in those countries.

Accordingly, DRFM has no obligation to issue Stapled Securities to a Foreign Unitholder. A Foreign Unitholder is any Unitholder who, on the Stapling Record Date, has a registered address which is outside Australia and New Zealand and their respective external territories.

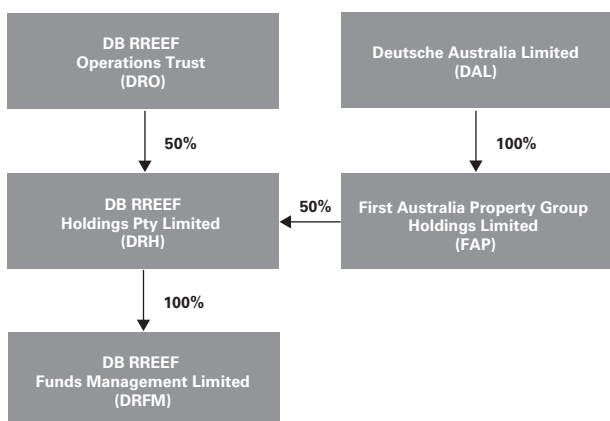
Foreign Unitholders will be deemed to have elected to participate in the Cash Sale Facility for all of their Units. See Section 3.6 and the Cash Sale and Exchange Facilities Notices.

In the case of Foreign Unitholders, the price payable under the Cash Sale Facility will be paid by cheque in Australian dollars drawn on an Australian bank.

4 The Transaction – acquisition of 50% interest in DRFM

4.1 Introduction

As part of the Transaction, Deutsche Bank will sell 50% of its interest in DRH and, indirectly DRFM, to DRO. If, on completion of the purchase, DRFM has assumed all FUM, the purchase price will be A\$70 million subject to the adjustment (see Section 4.4), of which up to A\$65 million is to be applied by Deutsche Bank's wholly owned subsidiary, FAP, to subscribe for an issue of new Stapled Securities in DRT and the balance of A\$5 million (subject to adjustment), representing 50% of NTA of DRFM, is payable in cash.



After the Transaction is completed, DRFM will be responsible for the entire funds management business of DRT, comprising DRT's direct property portfolio, management of DWPF (as delegate), syndicates (subject to member consent) and direct mandates.

4.2 Acquisition rationale

The proposed acquisition by DRO of a 50% interest in DRFM is a partial internalisation of the Funds Management Business. The rationale for this includes:

- enhanced alignment of interests of Unitholders with those of the Responsible Entity and its employees;
- the ongoing strategic joint venture with the Deutsche Bank group, including access to the expertise of RREEF. In addition, DRFM will utilise Deutsche Bank's compliance and human resources infrastructure and other services for a limited period; and
- the creation of a platform to grow third party FUM.

4.3 Description of DRFM

If the Transaction proceeds, DRFM will become one of Australia's largest property funds managers with responsibility for approximately A\$10.1 billion of real estate assets. DRFM will be responsible for the management of:

- DRT's direct property portfolio;
- DWPF (see detail below);
- Syndicates (subject to the consent of members of such syndicates); and
- Direct mandates.

DRFM's and DRH's initial revenue mix is expected to be approximately 60% from DRT's direct property portfolio and 40% from third party funds under management. In CY05, DRFM is forecast to earn revenues of A\$50 million and EBIT of A\$18 million.

(a) DRT's direct property portfolio

If the Resolutions are passed by Unitholders, DRFM will become the Responsible Entity for each of the Trusts. DRFM will provide investment and administration services as required by the Trusts. DRFM will receive a management fee of 0.45% of gross assets from each Trust for providing these services. In addition, DRH will receive property management, leasing, development and acquisition fees for providing these services to the Trusts.

(b) DWPF

DWPF is an unlisted, open ended, diversified property fund with total assets of approximately A\$1.4 billion (as at 30 June 2004). DWPF provides investors access to a professionally managed portfolio of real property. DWPF's investors include the trustees of superannuation funds and master trusts, custody services and investor directed portfolio services.

As part of the Transaction, DBRE will delegate the management of DWPF to DRFM. Following the Transaction, and after consultation with DWPF unitholders, it is proposed that DRT will acquire DBRE.

4 The Transaction – acquisition of 50% interest in DRFM

(c) Syndicates

Subject to receiving the necessary consents from syndicate members, DRFM's syndicate business will comprise the management of assets valued at A\$154 million (30 June 2004) as follows:

- Gordon Property Trust: with assets totalling A\$69 million as at 30 June 2004. The trust owns the Gordon Shopping Complex, Pacific Highway, Gordon, NSW. The syndicate is a fixed term trust with six years remaining. DRFM will receive a management fee of 1% of gross assets per annum;
- Northgate Property Trust: with assets totalling A\$68 million as at 30 June 2004. The Trust owns the Northgate Shopping Centre, Main Road, Glenorchy, Tasmania. The syndicate is a fixed term trust with five years remaining. DRFM will receive a management fee of 1% of gross assets per annum; and
- Abbotsford Property Trust: with assets totalling A\$17 million as at 30 June 2004. The Trust owns a quality commercial office development located on the banks of the Yarra River at 64–78 Trenerry Crescent, Abbotsford, Victoria. The syndicate is a fixed term trust with five years remaining. DRFM will receive a management fee of 1% of gross assets per annum.

(d) Direct mandates

The mandates business comprises the following:

(1) STC

The STC mandate relates to the management of a portfolio of direct property comprising 13 properties with a market value of approximately A\$1.3 billion (post completion of announced asset sales to DDF and DWPF).

DeAM has managed the STC mandate since 1997. It was re-appointed in July 2002. STC consented to the appointment of DRFM as manager of its direct property portfolio in August 2004.

(2) AXA

The AXA mandate relates to the management of a portfolio of direct property of:

- AXA Australian and New Zealand Statutory funds; and
- AXA Australian Property Fund.

The AXA mandates are in respect of 19 properties with a market value of approximately A\$0.5 billion.

DeAM has managed the AXA mandates since June 2001.

The mandates fall due for renewal in June 2006. AXA consented to the appointment of DRFM as manager of its direct property portfolio in August 2004.

4.4 Terms of the acquisition

(a) Introduction

At present, DRFM's immediate parent is FAP (a wholly owned subsidiary of DAL). Immediately following the approval by Unitholders of DDF, DIT and DOT of DRFM's appointment as Responsible Entity, FAP will sell all of its shares in DRFM to DRH. The consideration payable by DRH will be A\$140 million which will be satisfied by the issue by DRH of 35 million shares and A\$105 million of loan notes.

DRH was incorporated on 5 August 2004 and, to date, has not carried on any business activities. DRH currently has one share on issue to FAP.

(b) Share Sale Agreement

If the Resolutions are approved, and after the reorganisation referred to above, FAP will enter into a Share Sale Agreement (see Section 19) pursuant to which DRO will acquire from FAP a 50% interest in DRH comprising shares and loan notes to be issued by DRH. DRH in turn will hold 100% of the equity in DRFM.

If at completion DRFM has assumed all the management rights described in Section 4.3, the purchase price for DRO's acquisition of its 50% interest in DRH and, indirectly DRFM, will be A\$70 million (subject to adjustment) of which up to A\$65 million relates to the funds management rights of DRFM and DRH. This implies a purchase price for a 100% interest of FUM at A\$130 million (equivalent to 1.28% of FUM) and A\$10 million of NTA. The price is subject to adjustment as described in Section 19.

Broadly, the amount of the purchase price payable in respect of FUM assumed by DRFM at completion will be applied by FAP in subscription for fully paid Stapled Securities, priced at the volume weighted average price of the Stapled Securities over the ten business day period immediately following initial quotation of Stapled Securities on the ASX. The new Stapled Securities will be held in escrow for 12 months following the date of issue or until the put option or call option (see below) is exercised, whichever is the earlier.

In addition, DRO will pay FAP A\$5 million in cash on account of its 50% share of the NTA of DRFM at completion, which is expected to total A\$10 million.

Adjusting payments will be made by the parties in cash to the extent that 50% of the NTA of DRFM disclosed in the completion accounts varies from A\$5 million.

4 The Transaction – acquisition of 50% interest in DRFM

FAP (guaranteed by DAL) will agree to give warranties and indemnities to cover any liabilities of DRFM attributable to the period prior to completion, subject to limited exceptions. See Section 19 for further details.

(c) Shareholders Deed

The proposed Shareholders Deed is described in more detail in Section 19. The purpose of the deed is to regulate certain matters relating to the operation and business of both DRH and its wholly owned subsidiary, DRFM.

The parties to the deed propose that the purpose of DRH and DRFM will be to carry on and develop Core Business and not any other business. It is proposed however that DRFM as Responsible Entity of DRO may carry on certain other real estate related activities (referred to as DRT Real Estate Business) through a wholly owned company or companies established by it. No other business may be conducted by DRFM or DRO without the agreement of both Shareholders. The terms Core Business and DRT Real Estate Business are described in Section 19.

Under the Shareholders Deed, it is proposed that FAP (a wholly-owned subsidiary of Deutsche Bank) and DRFM will have put and call options, respectively, over FAP's holding of shares and loan notes issued by DRH. The terms of the put option and call option are described in more detail below and in Section 19.

FAP will not participate in profits from the earnings of non-Core Businesses (other than as a Unitholder in DRO) and for this reason it is proposed that DRFM and DRH will not derive a fee for managing any of the non-Core Businesses but that DRH will receive remuneration at agreed charge-out rates designed to cover actual expenses and the time of DRH's staff spent on non-Core Business.

The proposed deed provides that a number of matters which would ordinarily be decided by a company's board, must first be approved by DRH's two Shareholders. These matters include any change to the Core Business activities, business plans and raising of capital for DRFM or DRH. Further details of the matters which require both Shareholders' approval are set out in more detail in Section 19.

It is intended that DRH and its subsidiaries will be self-funding. DRFM is a Responsible Entity holding an Australian Financial Services Licence and must therefore maintain a minimum amount of capital (currently A\$5 million). If further capital is required to meet regulatory requirements, each Shareholder of DRH must contribute in their respective proportions.

The amount of any dividend declared by DRH is at the sole discretion of the DRH board (and is subject to Shareholder approval). It is the intention of the Shareholders that any surplus cashflow generated from operating activities be distributed to the shareholders of DRH, namely DRFM as Responsible Entity of DRO, and FAP.

Further details on the provisions of the Shareholders Deed, including provisions regarding board and CEO appointments, corporate governance committees, and restrictions on transfer of shares and loan notes issued by DRH, are set out in Section 19.

Put option

Under the Shareholders Deed, FAP will be granted a put option in respect of its 50% interest in the shares and loan notes in DRH. Under this put option FAP can require DRO to purchase its remaining interests in DRH in the following circumstances:

- if a third party and its associates (other than DAL and its related bodies corporate) acquire a relevant interest (in aggregate) of 30% or more of the Stapled Securities;
- if DAL ceases to be a related body corporate of Deutsche Bank;
- if Deutsche Bank disposes of all or substantially all of its US real estate funds management business (presently RREEF) or its global real estate funds management business; or
- if FAP is required by law or by a regulator to dispose of its shares in DRH.

On exercise of the put option, DRO will be required to pay to FAP the purchase price for its interests. The purchase price will be assessed by reference to 1.28% of the FUM plus the consolidated NTA of DRH and its subsidiaries. The relevant FUM and NTA will be assessed as at the date of exercise of the option.

The purchase price may be satisfied in cash or by the issue of fully paid Stapled Securities. See Section 19 for further details.

4 The Transaction – acquisition of 50% interest in DRFM

Call option

Additionally, in the Shareholders Deed, DRO will be granted a call option in respect of FAP's 50% interest in shares and loan notes issued by DRH. The call option will be exercisable if DAL ceases to be a related body corporate of Deutsche Bank or if Deutsche Bank disposes of all or substantially all of its US real estate funds management business (presently RREEF) or its global real estate funds management business.

The method for calculating the exercise price for the call option is as set out above for the put option. See Section 19 for further details.

(d) Transitional Services Agreement

Under this proposed agreement, DAL will agree to provide certain transitional services including IT services, employee and human resources services, compliance services, premises services, administration services, legal services and other services for a period of up to twelve months at service levels to be agreed and for service fees to be based on the cost to DAL of providing the services including any on-costs.

The services are to be provided to DRFM, DRH and any of its subsidiaries. DRFM has the option to extend the term for a further three months. It is proposed that the agreement will be subject to early termination in certain circumstances, including:

- by either party in the event of a material breach, as defined in the agreement, which is not remedied;
- by either party upon termination of the Shareholders Deed, or on the exercise of the put option referred to above; or
- by DAL upon a change of control of DRT, or upon DRFM ceasing to be the Responsible Entity of any of DDF, DIT, DOT or DRO.

It is proposed that, subject to their agreement, key employees of DAL will transfer to DRH at the commencement of the agreement. Also, certain employees engaged in providing the transitional services may, if they agree, transfer to DRH during the term of the agreement or at its conclusion and their entitlements will be adjusted between the parties to the agreement.

It is proposed that DRFM will have access to the books and records of DAL for the purposes of properly monitoring the performance of their services and to ensure that nothing is being done which would place DRFM in breach of any applicable laws or regulations. DAL must ensure that DeAM maintains its Australian Financial Services Licence and adequate and professional indemnity insurance throughout the term of the agreement.

The terms of the Transitional Services Agreement are further described in Section 19.

(e) Brand Control and Trademark Licence Deed

Under the proposed deed DRFM is given the right to use the brand which comprises the words "DB RREEF Trust managed in partnership with Deutsche Bank".

The licence extends to the use of the words DB RREEF as part of the name of the trusts and companies forming the DRT group.

The licence is limited to use in the Core Business of DRFM (see the definition of "Core Business" in the summary of the Shareholders Deed in Section 19).

The term of the agreement is three years commencing on the day that DRO acquires the 50% interest in DRH under the Share Sale Agreement, and may be extended if the parties agree to do so. However, the licensor can terminate the licence at any time on 20 Business Days' notice.

Fees payable by DRFM are limited to the reasonable costs incurred by DAL and its related bodies corporate in providing the management services associated with the use of the brand.

See Section 19 for a more detailed summary of this deed.

5 The Transaction – US Assets acquisition

5.1 Overview

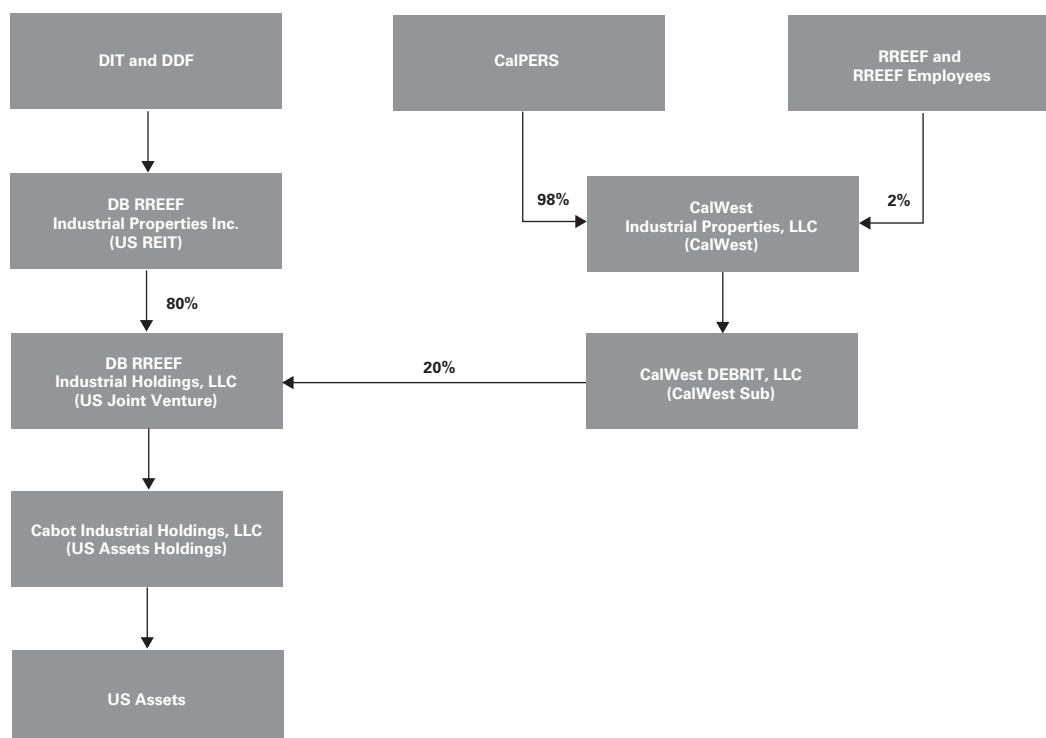
DRT, through a US entity (US REIT), has agreed to establish a joint venture with CalWest, through its subsidiary (CalWest Sub). This joint venture (the US Joint Venture) will be owned 80% by US REIT and 20% by CalWest Sub.

If the Stapling Proposal is approved by Unitholders, the US Joint Venture will acquire US Assets Holdings for a total consideration of US\$1,014 million (100% basis). In addition, the US Joint Venture has entered into a put and call option with CalWest Sub in relation to 6 lots of development land.

The rationale underlying the acquisition of the US Assets is to provide Stapled Securityholders with geographical diversity and exposure to the expected recovery of the US industrial market.

The US Assets consist of 93 industrial properties in 187 buildings (excluding three buildings on leased land) diversified across 18 metropolitan areas. The portfolio consists of 19.8 million square feet of net lettable area. The gross income from the portfolio is currently split approximately 61% warehouse/distribution properties and approximately 39% “flex” type properties. Flex includes a wide variation of office space utilisation, ranging from retail and personal service through distribution, light industrial and occasional heavy industrial use. The portfolio has approximately 472 leases.

The US Assets are currently, and will continue to be, managed by RREEF on arm’s length commercial terms. RREEF is described in Section 2.



5 The Transaction – US Assets acquisition

5.2 Acquisition rationale

DRT's primary investment objective in relation to the US Assets is to generate superior risk adjusted returns from a portfolio of core, value-added and newly developed industrial property investments.

DRFM by engaging RREEF, as investment managers, will seek to add value to the US Assets by:

- acquiring and disposing of properties as appropriate;
- locking in growth through extending existing leases and negotiating new leases;
- lengthening the lease profile as the US industrial market improves; and
- leveraging RREEF's leasing and management platform.

The key attractions of the US Assets can be summarised as follows:

(a) Exposure to the US economy

DRT believes that it is an appropriate point in the cycle to enter the US industrial property market as:

- DRT is expecting the US economy to continue to recover;
- Net industrial property leasing absorption turned positive in 2003 after two years of sharp downturn in demand; and
- The US industrial real estate sector has historically achieved strong returns.

(b) Portfolio critical mass

The US Assets represent a portfolio which, given its size and geographic diversity, would be difficult, costly and time consuming to recreate. This is particularly the case in the current environment where there is strong buying demand from investors.

DRT believes that the opportunity to acquire a portfolio of equivalent scale and quality is rare in the current market.

(c) Portfolio diversity

The portfolio has a diversified presence in many of the major and secondary US industrial markets. In addition, the portfolio has significant tenant diversification across both government and corporate sectors.

(d) Experienced manager

RREEF has managed the US Assets since the portfolio was acquired by CalWest in 2001, is one of the largest US industrial property managers and maintains an historical track record of long-term investment out-performance in the sector.

(e) Co-Investment with CalPERS

The US Joint Venture partner is CalWest Sub, a wholly-owned subsidiary of CalWest, itself a joint venture between CalPERS (98%) and an entity representing RREEF and present and former RREEF employees (2%). As at 30 June 2004, CalPERS was one of the largest public pension funds in the US with:

- Total assets of US\$162 billion;
- Total net real estate assets of US\$11.3 billion; and
- Net industrial real estate assets of US\$2.8 billion (before the sale of the US Assets), the majority of which continues to be managed by RREEF.

5.3 Operating strategy

The operating strategy of the US Joint Venture will be to:

- leverage the projected recovery of the US economic and industrial real estate sectors through the strength of RREEF's property management organisation;
- develop and operate each property to an annual plan that will consider the tenant expiry profile, income, capital and occupancy costs of each property;
- target portfolio occupancy rates in excess of market levels through competitive lease terms, space conditions, broker relationships and incentive schemes; and
- actively manage the portfolio's composition via acquisitions, disposals and developments to maximise long term performance.

US Manager has been appointed as investment manager of the US Joint Venture, see Section 19. US Manager has not yet been appointed as investment manager for the US REIT. It may be appointed for the US REIT if US REIT should acquire property in the US other than through the US Joint Venture. The terms of appointment, including fees and termination provisions, have not been considered.

5 The Transaction – US Assets acquisition

Area	Total US Market		US Assets	
	Area (millions sqft)	% Total US Market	Area (millions sqft)	% of DRT Portfolio
1 Chicago	1,022	9	0.0	0
2 Los Angeles	898	8	1.1	5
3 Northern New Jersey	770	7	0.0	0
4 Atlanta	502	4	0.8	4
5 Philadelphia	481	4	1.1	5
6 Detroit	467	4	0.0	0
7 Dallas / Ft Worth	641	4	2.3	11
8 Houston	387	3	0.0	0
9 Boston	360	3	0.2	1
10 Cleveland	327	3	0.0	0
11 Minneapolis	315	3	0.8	4
12 Riverside/SB	281	2	1.5	8
13 Orange County	273	2	0.0	0
14 Cincinnati	263	2	2.7	14
15 Seattle	254	2	0.5	3
Total Top 15 US Markets	7,241	62	11.0	55
Other US Markets	4,397	38	8.9	45
Total US Market	11,638	100	19.9	100

5.4 Overview of the US Assets

(a) Portfolio diversification

The US Assets are geographically diversified with representation in 18 metropolitan areas (see portfolio overview map on the following pages).

(b) Location

The majority of the US Assets are located in the top 15 US industrial investment markets (see the table above).

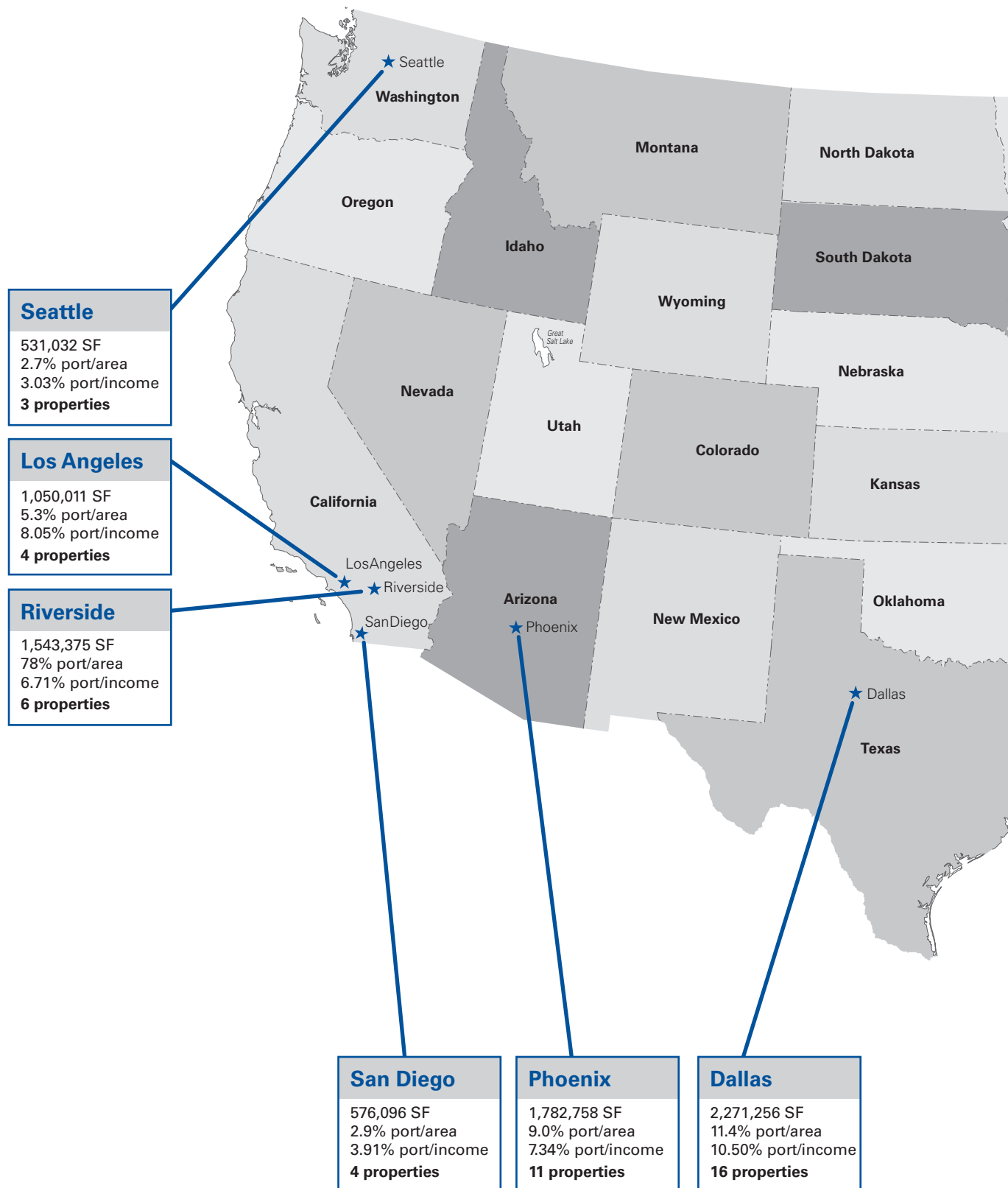
(c) Buildings

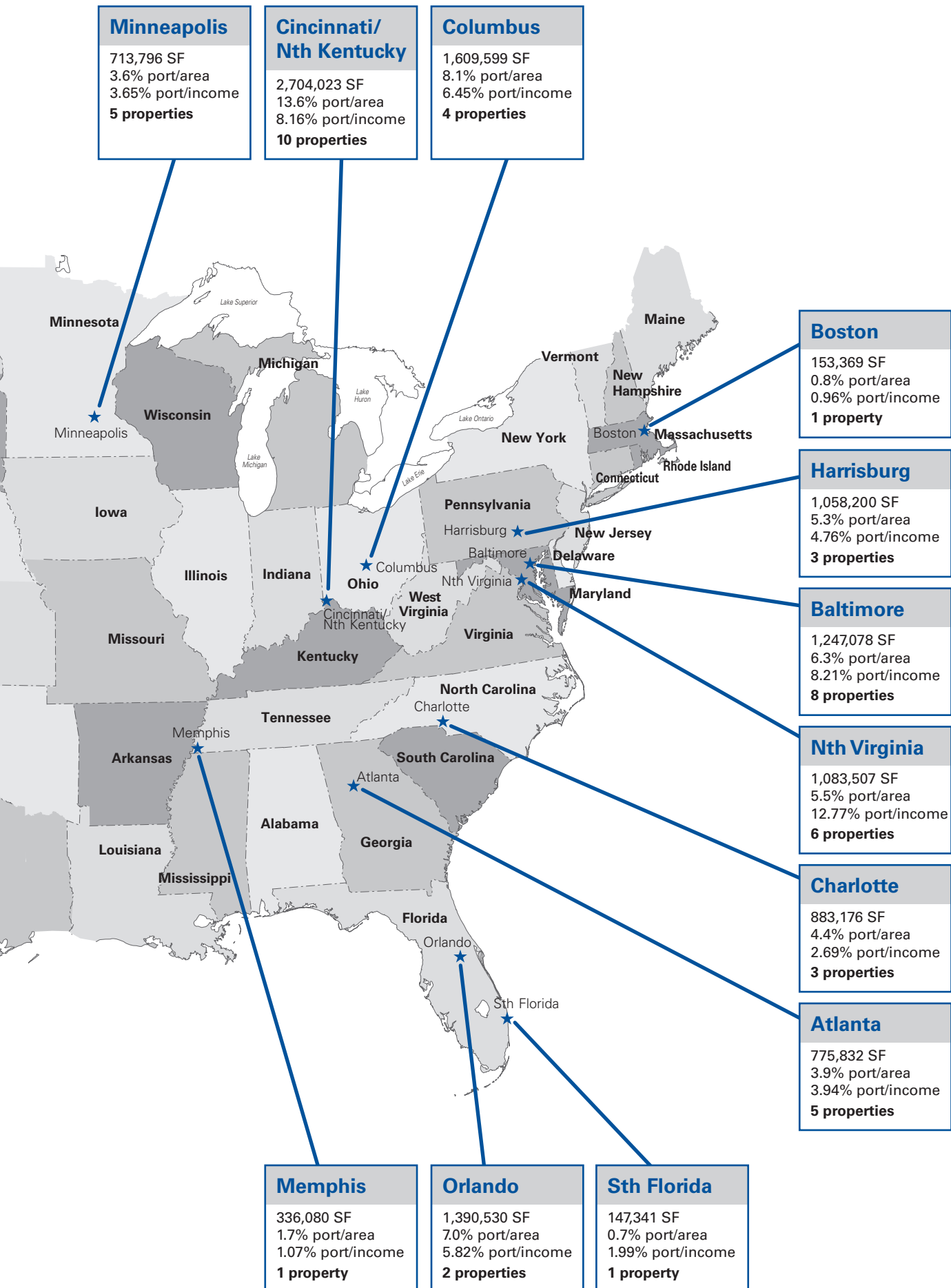
The weighted average age of the 187 buildings in the portfolio is approximately 14 years (excluding the development assets located in Alexandria, Virginia and Cincinnati, Ohio). An ongoing capital expenditure program has been in place in recent years to maintain and improve the quality of the buildings.

RREEF maintains a comprehensive physical/environmental repair and maintenance program to ensure the structural integrity of the buildings. In addition:

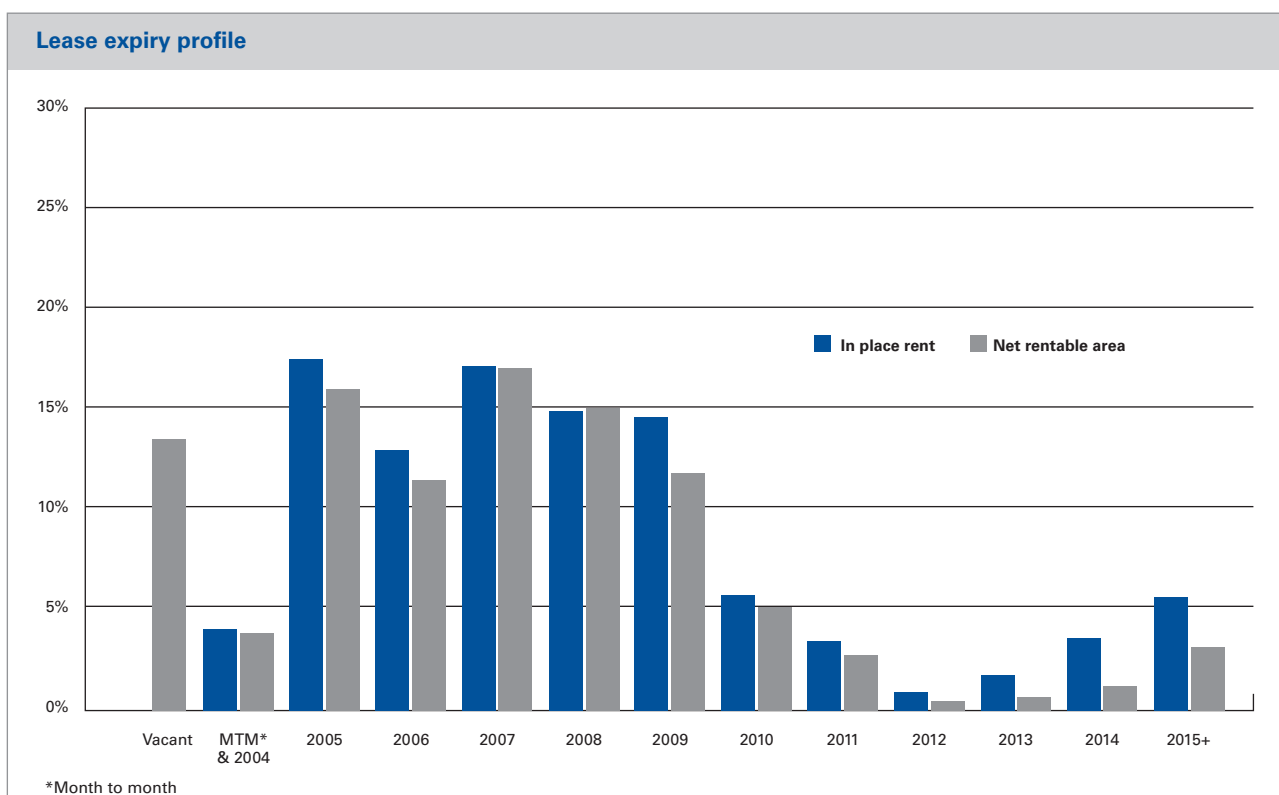
- 96% of the buildings are constructed of concrete or masonry; and
- 91% of the buildings have fire protection sprinklers installed.

5 The Transaction – US Assets acquisition





5 The Transaction – US Assets acquisition



(d) Occupancy

As at 30 June 2004, the occupancy level of the US Assets was 87%. This occupancy level was approximately equal to the market average occupancy levels across the same metropolitan areas as at 1 June 2004.

With income support, the effective occupancy will increase to 93% over FY05 and FY06.

As at 30 June 2004, the US Assets had a weighted average lease term to expiry of 3.6 years (by income) and 3.1 years (by area) and was spread over a number of years (see graph above).

The average lease term on new leases agreed over the three years to 1 August 2004 was 4.3 years. This is consistent with market comparables for smaller multi tenant accommodations. The portfolio has maintained a strong historical tenant retention rate, with tenants staying for an average of 9.4 years.

As at 30 June 2004, there were approximately 472 leases in place and the tenants on average occupy approximately 37,000 square feet. The portfolio tenancy mix is well diversified, with the largest corporate tenant representing only 2.9% of base rent. As at 30 June 2004, the average rent for the US Assets was approximately 8% above the average market rent, reflecting the downturn in US industrial markets in recent years. DRT has assumed reversion to market rents upon lease expiries and/or renewals in the financial forecasts.

(e) Development land

The US Joint Venture has entered into a two year put and call option with CalWest in respect of development land across six metropolitan areas. These land parcels are capable of yielding up to an additional 1.6 million square feet of lettable area when fully developed. The call option expires on 15 July 2006 and carries an aggregate exercise price of between US\$20 million and US\$22 million dependent upon date of exercise for each of the properties. If the US Joint Venture has not exercised its option to acquire all of the properties by 15 July 2006, CalWest Sub will have a 90-day period in which to require the US Joint Venture to purchase any of the remaining parcels. The development land has been independently valued at US\$22.3 million.

Development Land	Location	Gross Acres
Cabot Northgate BP IV	Garland, TX	25.6
Cabot CTC (Plano)	Plano, TX	13.5
Cabot Miami	Miami, FL	17.7
Cabot Meadows	Cumming, GA	19.9
Cabot Beaumede II	Ashburn, VA	10.7
Cabot Town Crossing	Herndon, VA	14.0
Total		101.4

5 The Transaction – US Assets acquisition

5.5 Terms of the acquisition of the US Assets

(a) Acquisition structure

DIT and DDF have jointly established DB RREEF Industrial Properties Inc. (US REIT). US REIT in turn will establish with CalWest Sub the US Joint Venture. If the Unitholders approve the Stapling Proposal:

- US REIT will contribute the Contribution Amount, being US\$204 million plus costs, which includes a previously paid non-refundable deposit of US\$5 million, to the US Joint Venture;
- CalWest will cause the contribution of the US Assets Holdings to the US Joint Venture and CalWest Sub will receive the Contribution Amount as a distribution from the US Joint Venture;
- in exchange for their contributions as described above, US REIT and CalWest Sub will respectively acquire an 80% interest and a 20% interest in the US Joint Venture.

Settlement of the US Assets acquisition has been agreed to take place on or before 30 September 2004.

The acquisition structure will be governed by a number of legal agreements. Further details of these agreements can be found in Section 19.

(b) US Acquisition Price

The US Acquisition Price (100% basis) consists of the following:

US\$ million	US Joint Venture (100% basis)	US REIT (80% basis)
Cash payable at completion	255	204
Cash payable after redemption of preference shares	245	196
Existing and new debt to be assumed by the US Joint Venture	514	411
US Acquisition Price	1,014	811

US\$245 million will be payable as the existing non-voting and non-participating preference shares are redeemed (currently anticipated to be by June 2005).

The US Acquisition Price of US\$1,014 million compares favourably with the Independent Valuer's sum of parts valuation of US\$1,032 million (see Section 12).

The US Joint Venture's interest in the US Assets will be initially geared to approximately 51% after redemption of preference shares. DRT's equity investment in the US Joint Venture (via US REIT) will be funded by US dollar denominated debt. Consequently, at the time of settlement, DRT's interest in the US Assets will be:

- effectively 100% geared; and
- naturally hedged against foreign exchange movements (by virtue of the assets and borrowings both being denominated in US\$).

Separately, DRT will enter into foreign exchange hedges for the conversion of the residual US dollar income into Australian dollars after the servicing of all US dollar denominated debt (Section 9).

The US Acquisition Price (100% basis) has been apportioned as follows:

	US\$ million
Property assets	975.0
Income support	19.5
Property assets including income support	994.5
Capital expenditure allowance	19.9
US Acquisition Price	1,014.4

(c) Property assets

The implied yield of the US Assets at acquisition is as follows:

	FY05 ¹ (%)	FY06 ¹ (%)
Property portfolio ²	7.7	8.5
Property portfolio including income support ³	8.2	8.5

1. Net property income is brought to account on an accruals basis consistent with AGAAP.
2. Based upon US\$975.0 million cost of the property assets.
3. Based upon US\$994.5 million cost of property assets including income support.

5 The Transaction – US Assets acquisition

(d) US Joint Venture income support

CalWest Sub has agreed to provide income support of up to US\$19.5 million (100% basis) to compensate the US Joint Venture for certain costs of maintaining and leasing certain existing vacant space. CalWest Sub will deposit this US\$19.5 million (out of the proceeds distributed to it from the US Joint Venture) into an escrow account upon the completion of the US transaction. The estimated drawdown of the income support (100% basis) during the forecast period is as follows:

- FY05: US\$5.0 million; and
- FY06: US\$1.0 million.

The income support has been allocated to existing properties. However, if those properties are leased prior to the payment of the allocated income support, any outstanding income support may be re-allocated to alternative vacant properties or is transferable to any subsequent purchaser of the applicable property.

(e) US Joint Venture capital expenditure

CalWest Sub has agreed to provide capital expenditure of US\$19.9 million (100% basis). The capital expenditure is intended to be allocated to tenant improvements, lease commissions and tenant incentives to facilitate future growth in occupancy.

(f) CalWest income guarantee

CalWest will provide the US Joint Venture with a gross operating income guarantee of up to US\$5.0 million from the period beginning at the closing date of the US transaction and ending at 30 June 2006 (the Shortfall Period). The operating income guarantee has been structured to underpin the forecast operating income in FY05 and FY06. If the actual gross operating income falls below the agreed forecast gross operating income during any of the six month periods ending on 30 June or 31 December during the Shortfall Period, CalWest will reimburse the US Joint Venture for any such income shortfall within 30 days of the end of such six-month period.

If the cumulative gross operating income during the Shortfall Period exceeds the forecast cumulative gross operating income, the gross operating income exceeding the forecast will be distributed at the end of the Shortfall Period as follows:

- CalWest will be refunded any gross operating income guarantee previously paid;

- 50% of the next US\$5 million of any gross operating income exceeding forecast (up to a maximum of US\$2.5 million) will be distributed to CalWest; and
- the remaining 50% of the previously described US\$5 million and any additional income exceeding forecast income will be distributed 80% to US REIT and 20% to CalWest, in accordance with the terms of the Operating Agreement.

(g) Deferred purchase consideration to CalWest

Deferred purchase consideration is payable in circumstances where returns are achieved above an annualised equity internal rate of return (IRR) of 10% pa. In determining the equity IRR, the following will be taken into consideration:

- The income previously distributed by the US Joint Venture to US REIT and CalWest Sub; and
- Assumes a notional distribution of the assets of the portfolio, including an allowance for transaction costs.

Subject to the cap described below, any returns above the 10% IRR will be paid 60% to US REIT and 40% to CalWest Sub.

The deferred purchase consideration is effectively capped and starts at US\$20 million on 1 July 2005 rising to US\$50 million by 30 June 2014. Payment of the deferred purchase consideration can be triggered by:

- US REIT between 1 July 2005 and 30 June 2014; and
- CalWest Sub at any time between 1 July 2009 and 30 June 2014.

For further details, see Section 19.

(h) Non-refundable deposit

DDF, DIT and DOT, have entered into agreements with US REIT to provide funding to US REIT to allow it to meet its obligations under the Contribution Agreement. Pursuant to these funding agreements, DDF and DIT have each loaned US\$2.5 million to US REIT to allow US REIT to pay the US\$5.0 million non-refundable deposit.

If US REIT has not obtained the approval of one or more of the DDF and DIT Responsible Entities by 28 September 2004, US REIT is entitled to terminate the Contribution Agreement. If the agreement is terminated, US REIT will forfeit the US\$5 million deposit. CalWest Sub may terminate the Contribution Agreement and retain the US\$5 million deposit if the Transaction does not close by 30 September 2004 unless certain closing conditions for the benefit of US REIT are not satisfied.

5 The Transaction – US Assets acquisition

If the US REIT forfeits the US\$5.0 million non-refundable deposit, DDF and DIT will not be entitled to be reimbursed by US REIT for their contributions under the agreements. If the US Joint Venture investment is not completed, then the total cost of the forfeited US\$5.0 million non-refundable deposit and all US acquisition costs will be allocated amongst DDF, DIT and DOT in accordance with the Stapling Ratios. DBRE, in its personal capacity, has agreed to reimburse DDF, DIT and DOT for up to A\$5 million (to be allocated on the basis of the Stapling Ratios) if the reason for the non-completion of the US transaction is the failure to obtain the approval of Unitholders of the Stapling Proposal.

(i) Subscription rights

The agreements provide that if either DDF or DIT is subject to certain takeover events, including any proposal to change the responsible entity (other than the appointment of DRFM as the Responsible Entity of the Trusts as part of the Transaction), the applicable Trust may lose its right to subscribe for shares in US REIT. If DDF or DIT loses its rights to subscribe for shares in US REIT, the other Trust will subscribe for the remaining shares so long as that Trust is not also simultaneously the subject of a takeover event.

(j) Shareholders' Agreement

DDF, DIT and US REIT will enter into a Shareholders' Agreement. In this agreement, the Responsible Entities of DDF and DIT will grant each other a call option over the shares in US REIT held on behalf of DDF or DIT, as applicable. This call right will be triggered if the responsible entity of the applicable trust ceases to be DRFM, DBRE or DeAM (a Permitted Trustee). The call will also be triggered upon certain other changes of control in the applicable trusts.

If a call option is exercised, the exiting shareholder must sell all its shares in US REIT (in accordance with the value defined in the Contribution Agreement).

(k) CalWest and CalWest Sub call right

The limited liability company Operating Agreement of the US Joint Venture contains a call right in favour of CalWest Sub. Under the terms of the Operating Agreement, US REIT would be required to offer to sell all of its membership interests in the US Joint Venture to CalWest if more than 50% of the issued and outstanding capital stock in US REIT ever ceases to be held by a Permitted Trustee. The option will also be triggered if any person obtains more than 50% of the voting power in either DDF or DIT while the applicable trust holds more than 50% of the issued and outstanding shares in the US REIT. If CalWest does not exercise its call option within 30 days of the triggering event, US REIT must then offer its membership interests to CalWest Sub (or any of its designated affiliates) for a 30 day period. The purchase price for those membership interests will be fair market value based upon the liquidation value (determined in accordance with Operating Agreement) of the US Joint Venture.

(l) CalWest Sub's put rights

Beginning on 1 July 2014 and annually every year after, CalWest Sub has the right to:

- (1) require the US Joint Venture to redeem its membership interest; or
- (2) require US REIT to purchase CalWest Sub's membership interest

at a price based on the fair market value of the assets of the US Joint Venture.

(m) Restrictions on transfer of interests in the US Joint Venture

US REIT and CalWest Sub are subject to certain restrictions on transfer with respect to their membership interests in the US Joint Venture, as described more fully in Section 19.

6 The Transaction – investment in DWPF

6.1 Introduction

If the Transaction is approved by Unitholders, DDF proposes to invest A\$25 million in DWPF as part of a proposed equity raising by DWPF. In addition, DRT may elect to invest up to a further A\$25 million in DWPF depending on the level of investor demand for the DWPF equity raising.

6.2 Rationale for the investment in DWPF

The rationale for the investment in DWPF can be summarised as follows:

- further diversification into a high quality portfolio of institutional grade property assets;
- participation in the expected growth of DWPF; and
- alignment of the interests of Stapled Securityholders with those of DWPF unitholders.

DRFM will rebate to DRT an amount equal to the management fee DRFM would otherwise receive in respect of DRT's investment in DWPF.

6.3 DWPF overview

DWPF is an unlisted, open-ended property fund with total assets of approximately A\$1.4 billion (as at 30 June 2004). DWPF provides investors access to a professionally managed portfolio of real estate. In order to maintain liquidity, DWPF may also maintain an exposure to property securities and money market securities.

DWPF's investors include the trustees of superannuation funds and master trusts, custody services and investor directed portfolio services. AXA currently has a 32% interest in DWPF.

DBRE is the responsible entity of DWPF. If the Transaction proceeds, DBRE will remain the responsible entity of DWPF but will delegate its responsibilities to DRFM. Following the Transaction and after consultation with DWPF unitholders, it is proposed that DRT will acquire DBRE.

(a) DWPF's investment objectives and style

DWPF's investment objectives over the medium to long term are to:

- provide DWPF unitholders with a combined return of capital growth and income; and
- outperform the median of the Mercer Unlisted Property Funds Index (gross median return), over rolling 12 month periods.

DWPF follows a disciplined, research driven approach to property investment and aims to add value in the following ways:

- sub-sector diversification: to maximise returns and reduce volatility by identifying the best portfolio fit according to DBRE's in-house research; and
- active asset management: assisted by in-house property leasing teams to maximise occupancy and rental rates; and
- development: selected developments may be undertaken within appropriate risk/return parameters.

(b) DWPF's existing property portfolio

As at 30 June 2004, DWPF's total assets stood at approximately A\$1.4 billion. The assets of DWPF comprise the following:

Asset	Interest (%)	Book Value A\$ million
Gateway Building, Sydney, NSW	100	535.0
Westfield Shopping Centre (plus surrounding properties), Miranda, NSW	50	399.0
360 Collins Street, Melbourne, VIC	100	174.9
2 O'Connell Street, Sydney, NSW	50	7.2
4 O'Connell Street, Sydney, NSW	50	11.7
1 – 7 Bligh Street, Sydney, NSW	50	15.9
9 – 13 Bligh Street, Sydney, NSW	50	5.2
509 St Kilda Road, Melbourne, VIC	100	54.7
Port Central Shopping Centre, Port Macquarie, NSW	100	52.0
Willows Shoppingtown Townsville, QLD	100	78.4
Cash	n/a	28.8
Total		1,362.8

6 The Transaction – investment in DWPF

(c) DWPF acquisitions

The responsible entity of DWPF has entered into arrangements with STC under which it may acquire interests in the properties below:

Property	Sector	Acquisition Price* A\$ million	Expected Completion Date
50% Greensborough			
Shopping Centre, VIC	Retail	145	Q4 2004
50% Regents Park			
Industrial Estate, NSW	Industrial	93	Q4 2004
100% St Leonards			
Corporate Centre, NSW	Industrial	74	Q4 2004
Property Costs		312	
Acquisition Costs		17	
Total		329	

* Acquisition prices are current estimates and subject to valuation and due diligence.

6.4 Terms of investment in DWPF

If the Transaction proceeds:

- subject to the acquisition of the above properties by DWPF, DDF proposes to invest A\$25 million in DWPF for a minimum of two years;
- DRT may elect to invest up to a further A\$25 million in DWPF. The decision whether or not to exercise this right will be made by DRFM in due course. The decision will be influenced by investor demand for the proposed DWPF equity raising; and
- DRT's maximum investment in DWPF will be capped at 5% of total DWPF issued equity.

7 Other transactions

7.1 Introduction

On 4 August 2004, DBRE announced the execution of certain agreements in the ordinary course of business. These transactions are not subject to Unitholder approval and are independent of the Transaction. It is expected that these transactions will proceed to settlement regardless of the approval, or otherwise, of the Transaction by Unitholders.

There are three groups of transactions as follows:

- Regional retail portfolio;
- 16–20 Barrack Street, Sydney; and
- NRM Tower, Auckland, New Zealand.

7.2 Regional retail portfolio

(a) Rationale underlying the regional retail portfolio acquisitions and disposals

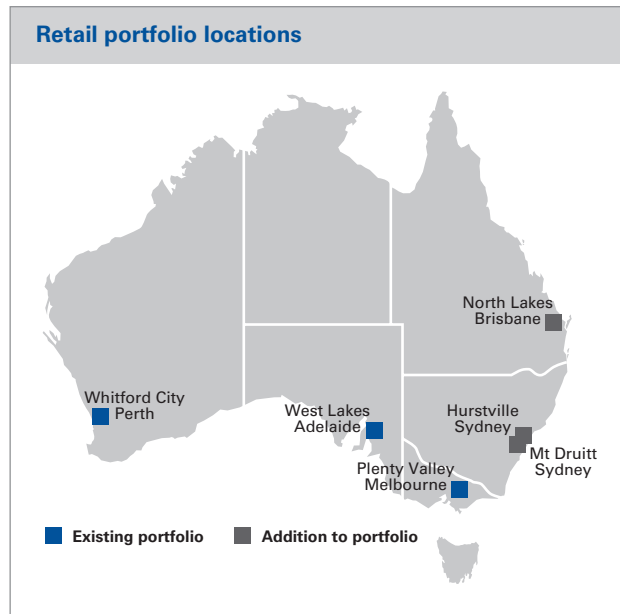
The regional retail portfolio acquisitions and disposals are expected to:

- improve the quality of DDF's income through geographical diversification;
- improve portfolio returns by accessing the retail management expertise of the Westfield Group;
- have a positive impact on the NTA of DDF; and
- not materially impact DDF's gearing.

(b) Overview of the regional retail portfolio

On completion of the acquisitions and disposals described below, DDF will have a 50% ownership interest in a A\$1.45 billion portfolio of regional retail shopping centres. The remaining 50% ownership interest will be held by the Westfield Group.

There will be six properties in the regional retail portfolio, located in the capital cities of the five mainland states as follows:



(c) Terms of the regional retail portfolio acquisitions and disposals

DBRE has entered into sale and acquisition agreements that can be summarised as shown in the table below (see Section 19 for further details).

In relation to the acquisition of a 50% interest in Westfield Shoppingtown Mt Druitt and Westfield Shoppingtown Hurstville, DBRE has entered into put and call option agreements with STC for its interests in those properties.

The call option for Westfield Shoppingtown Mt Druitt was exercised by DBRE, on behalf of DDF, on 6 August 2004.

The call option for Westfield Shoppingtown Hurstville may

DRT regional retail portfolio					
Property/Entity	Transaction	% Interest	Counter-party ¹	Value (A\$m)	Acquisition Yields ⁴ (%)
Mt Druitt	Acquire	50	STC ²	133	7.25
Hurstville	Acquire	50	STC ²	220 ⁵	7.00
North Lakes	Acquire	50	Westfield Group ³	61	7.25
Plenty Valley	Sale	50	Westfield Group ³	19	8.00
West Lakes	Sale	50	Westfield Group ³	123	7.35
Whitford City	Sale	50	Westfield Group ³	193	7.00
Total				749	
Weighted Average					7.15

1. Standard commercial pre-emptive rights have been agreed upon change of control of either party. See Section 19.

2. The Westfield Group have waived their pre-emptive rights to facilitate these acquisitions.

3. Net proceeds of A\$274 million from the asset sales to Westfield Group will be applied to remaining asset acquisitions.

4. Excludes stamp duty/land costs.

5. Estimated.

7 Other transactions

be exercised by DBRE, in its personal capacity or by a nominee, any time during the period between 5 November 2004 and 1 July 2005 (both dates inclusive).

If DBRE or its nominee has not exercised the call option by the relevant expiry date, then STC may exercise its put option with DBRE in its capacity as responsible entity of DDF with settlement due within 60 days.

The net acquisition price of the six acquisitions and disposals is expected to be A\$101 million, which will be funded from DDF's debt facilities. Settlement is anticipated as follows:

Property	Settlement Date
North Lakes	20 August 2004
Whitford	20 August 2004
Plenty Valley	20 August 2004
Mount Druitt	Early September 2004
West Lakes	31 March 2005
Hurstville	31 March 2005

DDF and the Westfield Group will have customary pre-emptive rights over each other's interest in each asset. These pre-emptive rights are more fully described in Section 19.

All acquisitions and disposals are unconditional.

7.3 16–20 Barrack Street, Sydney

(a) Overview of 16–20 Barrack Street

16–20 Barrack Street comprises an eleven storey, B-grade commercial office building completed in 1925 and refurbished in 1986 and 1991. The property is located in the Sydney CBD and is situated on the north western corner of the intersection of George and Barrack Streets, directly opposite Martin Place. The building has a net lettable area of 9,634 square metres.

(b) Terms of the Barrack Street acquisition

DBRE has entered into assignable put and call options with STC for the acquisition of a 100% interest in Barrack Street.

The call option for Barrack Street may be exercised by DBRE, in its personal capacity or by its nominee, any time up to and including 31 October 2005.

If DBRE or its nominee has not exercised the call option by 31 October 2005, STC may exercise its put option with DBRE, in its capacity as responsible entity of DDF, with settlement due within 60 days.

The purchase price of Barrack Street is currently estimated to be A\$45 million. The final purchase price is to be determined

on the basis of the higher of two independent open market valuations to be obtained by DBRE and STC, if the differential of these two valuations is no greater than 5% of the lower valuation. If the differential exceeds 5%, a third valuer will be appointed to determine a valuation amount, which must be between the valuation amounts obtained by DBRE and STC.

7.4 NRM Tower, Auckland, New Zealand

(a) Overview of NRM Tower

NRM Tower is a premium grade, high rise office development currently under construction in the Auckland CBD. Due for completion in May 2005, the building will comprise 18,700 square metres of office space over 14 levels, 194 car spaces, a business centre, gymnasium and a top floor function centre.

As at August 2004, the building was 80% leased with negotiations continuing in respect of the remaining 20%. The vendor has provided an income guarantee in respect of any vacant space for a period of nine years from settlement.

(b) Terms of the NRM Tower acquisition

DOT has entered into an agreement to purchase (when completed) the NRM Tower in Auckland. The purchase price is NZ\$110.4 million representing an initial yield of 8%.

The acquisition will be funded with NZ\$ denominated debt to create a natural hedge against foreign exchange movements. The interest expense on the NZ\$ denominated debt will be hedged against interest rate movements. In addition, the residual NZ\$ income (after interest expense) will be hedged for a five year period.

(c) Rationale underlying the NRM Tower acquisition

The rationale underlying the acquisition of the NRM Tower is to enhance the quality of DOT's portfolio. Based on 30 June 2004 comparison, NRM Tower enhances DOT's portfolio by:

- increasing the weighted average lease expiry from 5.8 years to 6.0 years;
- reducing the age of the portfolio from 13.4 years to 12.8 years;
- increasing the exposure to premium grade assets from 32% to 34%;
- providing further geographic diversification; and
- achieving exposure to the Auckland office market which is expected to experience positive demand and modest supply over the short to medium term.

8 Increase in Deutsche Bank's voting power

8.1 Background

Deutsche Bank and its related corporations have "relevant interests" and "voting power" of varying levels in each of the Trusts. These terms are defined in the Corporations Act. In broad terms a "relevant interest" in units is power to control the voting or disposal of units, including direct and indirect power. Also in broad terms, a person's "voting power" is the aggregate percentage of units in which it and its associates have relevant interests.

The Deutsche Group entities which act as fund manager in relation to particular investment vehicles (including in cases where they or other Deutsche Group entities also act as responsible entities of the relevant managed investment scheme) have relevant interests in units in the Trusts through the investment mandates given to them by their clients. Other Deutsche Group entities have relevant interests through direct holdings as principal for investment and trade facilitation purposes (for instance DAL and DSAL, respectively).

Where a Deutsche Group entity acts under a client investment mandate, it may be legally entitled to direct the way in which the votes are cast on the Units the subject of the mandate. However, it would, as a matter of common practice, seek the client's directions as to how the client wished the Units to be voted on resolutions and would be particularly vigilant to do so in relation to resolutions which are material to the relevant client's operations. Where a Deutsche Group responsible entity has a relevant interest by virtue of its investment activities as responsible entity of a managed investment scheme, it is bound by the Corporations Act to exercise its vote in the best interests of interestholders, in preference to its own interests.

However, irrespective of the degree to which the relevant interests confer actual power over voting units, for the purposes of the takeovers provisions in Chapter 6 of the Corporations Act, any acquisition of relevant interests increasing the voting power of one or more Deutsche Group entities to a level to beyond 20% of the units (or between 20% and 90%) in the particular Trust is in breach of section 606 of the Corporations Act unless it has appropriate unitholder approval (or is otherwise an exempt acquisition under the Corporations Act or ASIC relief.)

8.2 Summary of the effect of the Transaction on the voting power

The Transaction as a whole will result in an increase in the voting power of Deutsche Bank and its associates in DDF and DIT but not DOT. The following is a summary of the components of the Transaction which will affect the voting power of Deutsche Bank and its associates.

(a) Stapling

The Stapling will increase the voting power of Deutsche Bank and its associates in DDF and DIT, but will decrease their voting power in DOT. The degree of these changes in voting power arising from the Stapling will vary as between the Trusts, but the resulting voting power of Deutsche Bank and its associates after the Stapling in each Trust (including DRO) will be the same.

In summary:

- following the Stapling, Deutsche Bank and its associates will have relevant interests in DDF Units, DIT Units and DOT Units (at this point, stapled with DRO Units into Stapled Securities) conferring a relevant interest in each of DDF, DIT and DOT of 26.3%;
- the Stapling will:
 - increase the voting power of Deutsche Bank and its associates in DIT by 8.1%;
 - decrease the voting power of Deutsche Bank and its associates in DOT by 9.8%; and
 - increase the voting power of Deutsche Bank and its associates in DDF by 6.4%.

Prior to the Stapling, Deutsche Bank and its associates will have different voting power in relation to each of the Trusts and the Stapling will affect that voting power differently in the case of each Trust.

The effect of the Stapling on each associate of Deutsche Bank that has or will have a relevant interest in Units in DDF, DIT and DOT at the time of the Stapling will be affected by the number of Units in each of these three Trusts that the relevant Deutsche Group entity has as at the time of the Stapling. Due to the ongoing trading activities of Deutsche Group entities in Units in DDF, DIT and DOT, the number of Units in each of these three Trusts acquired by those Deutsche Group entities and consequently, the voting power of Deutsche Bank and its associates immediately following the Stapling may differ from that stated above, and detailed in Section 20.2. However, on the basis set out in Section 20.2, regardless of any changes in the voting power of

8 Increase in Deutsche Bank's voting power

Deutsche Bank and its associates in DDF, DIT and DOT prior to the Stapling, the maximum extent of the voting power of Deutsche Bank and its associates in each of DDF, DIT and DOT immediately following the Stapling will be 26.8%. This would represent a maximum voting power increase of 6.9% and 8.7% in relation to DDF and DIT, respectively, relative to the voting power of Deutsche Bank and its associates as at 20 August 2004.

Sections 20.1 and 20.2 contain further details in relation to the voting power of Deutsche Bank and its associates in each Trust (as at 20 August 2004), the effect of the Stapling on the voting power of Deutsche Bank and its associates in each Trust and how Unitholders will come to hold Units in DRO. Unitholders in each Trust should read Sections 20.1 and 20.2 in full.

(b) FAP acquisition

As part of the Transaction, 50% of the issued shares in DRH (the holding company of DRFM) and 50% of DRH's loan notes will be transferred from FAP to DRO. FAP will receive consideration of approximately A\$70 million for these DRH shares and loan notes. The component of this consideration attributable to the funds management rights of DRH and DRFM, being no more than A\$65 million, will be applied for the payment of the issue price of Stapled Securities (comprising Units in DDF, DIT, DOT and DRO). For the purchase price payable in respect of FUM transferred at completion, the Stapled Securities will be issued to FAP at a price calculated on the VWAP of the Stapled Securities over the ten business day period following initial quotation of the Stapled Securities on the ASX.

Any deferred amount paid in respect of the FUM in the 12 months following completion will be applied for in the payment of the issue price of Stapled Securities at the VWAP for Stapled Securities over the ten business day period commencing on the business day after the acquisition of the relevant management rights. Further details about the Share Sale Agreement, which contains the terms of this acquisition is set out in Sections 4.4 and 19.2.

Assuming a VWAP for the Stapled Securities of between A\$1.20 and A\$1.30 for the relevant pricing period, FAP will acquire between 54.2 million and 50.0 million of Stapled Securities respectively. On this basis, the voting power of Deutsche Bank and its associates in each of DDF, DIT and DOT will increase by between 1.5% and 1.4% (assuming an increase by the number issued to FAP). Their voting power in each of the Trusts will be the same by virtue of the 'equalising' effect of the Stapling.

As described above in Section 8.2 (a), due to the ongoing trading activities of associates of Deutsche Bank in Units in DDF, DIT and DOT, and their anticipated trading activities in Stapled Securities following the Stapling, it is not possible to calculate precisely the voting power of Deutsche Bank and its associates in each of DDF, DIT and DOT immediately before the acquisition of the units with this additional relevant interest in the Trusts by FAP. For the same reasons, as well as the difficulty of calculating precisely the price at which Stapled Securities will be issued to FAP, it is difficult to calculate precisely the voting power of Deutsche Bank and its associates immediately after this acquisition by FAP.

However, assuming that:

- Deutsche Bank and its associates do not acquire any relevant interests in Stapled Securities pursuant to the ASIC relief described in Section 8.5 following the Stapling; and
- following the Stapling, Deutsche Bank and its associates have the maximum voting power of 26.8% in each of DDF, DIT and DOT, on the basis described in Section 20.2; and
- the VWAP of the Stapled Securities during the FAP Pricing Period is A\$1.30,

then the maximum extent of the voting power in each of DDF, DIT and DOT of Deutsche Bank and its associates will, immediately after FAP's acquisition of Stapled Securities, be 28.2%.

(ASIC has agreed in principle to grant relief so that the approval of the Unitholders of DRO will not be required in relation to the acquisition of Stapled Securities by FAP)

The reasons for, and particular terms of, the acquisition of the 50% interest in DRH and the corresponding issue of Stapled Securities to FAP are set out in Section 4.

8 Increase in Deutsche Bank's voting power

(c) Underwriting of DRP by Deutsche Bank

If the Transaction is approved by Unitholders, the DDF and DIT distribution reinvestment plans will be suspended and a DRP will be implemented in relation to DRT and DRO. Stapled Securities (comprising Units in DDF, DIT, DOT and DRO) will be issued pursuant to the DRP.

Deutsche Bank will act as underwriter of the DRP and in this capacity, will acquire any Stapled Securities not taken up by Unitholders under the DRP. The voting power of Deutsche Bank and its associates will increase commensurately. The first issue under this DRP (and any consequent increase in the voting power of Deutsche Bank and its associates) will occur in February 2005.

At the time of each DRP instalment, Deutsche Bank will acquire a relevant interest in any Stapled Securities applied for by it in accordance with its obligations under the underwriting agreement. These Stapled Securities will be initially issued at a minimum 2% discount to the weighted average trading price of Stapled Securities during the DRP pricing period.

Approval is sought from the Unitholders of DDF, DIT and DOT for the acquisition under the underwriting of the first instalment of the DRP, which will occur in February 2005. Deutsche Bank anticipates that acquisitions of relevant interests in Stapled Securities under later instalments of the DRP will not breach the limitations in section 606 of the Corporations Act by virtue of the '3% creep' exemption in section 611 item 9.

Due to the ongoing trading activities of associates of Deutsche Bank in Units in DDF, DIT and DOT described above, it is not possible to calculate precisely their voting power in each of DDF, DIT and DOT immediately before the February 2005 instalment of the DRP. These reasons, and the difficulty inherent in calculating the number of Stapled Securities that will be issued under the DRP (itself a function of the distribution levels for DRT and the weighted average trading price of Stapled Securities during the DRP pricing period), the number of Stapled Securities that will not be taken up under the DRP, the effect of any sub-underwriting and therefore, the number of Stapled Securities acquired by Deutsche Bank as underwriter, renders it difficult to calculate the voting power of Deutsche Bank and its associates immediately after the February 2005 instalment of the DRP.

However, the maximum extent of the voting power of Deutsche Bank and its associates in each of DDF, DIT and DOT following the February 2005 DRP instalment may be up to 35%.

Approval of unitholders of DDF, DIT and DOT is not sought to the extent that the acquisitions would increase voting power beyond 35% (other than where the acquisitions are permitted by ASIC relief).

(ASIC has agreed in principle to grant relief so that the approval of the Unitholders of DRO will not be required in relation to the acquisition of DRO Units by Deutsche Bank pursuant to the February 2005 instalment of the DRP.)

The reasons for, and particular terms of, the DRP are set out in Section 15.

8.3 Unitholder approval, other transactions and ASIC relief

Despite the fact that the Stapling and other aspects of the Transaction is likely to result in a decrease in the Deutsche Group's voting power in DOT, Unitholder approval is sought in relation to each of DDF, DIT and DOT to permit the transactions set out above.

Based on current holdings and taking an example market price of A\$1.30 per Stapled Security, these acquisitions will involve Deutsche Bank and its associates acquiring relevant interests in Units conferring voting power initially to 26.3% (under the Stapling), then to 27.7% (resulting from the 2% issue to FAP) and finally at no more than 35% (pursuant to the underwriting of the February 2005 DRP). In addition, under each subsequent DRP following February 2005, Deutsche Bank will potentially acquire further issued units in each Trust – however, these acquisitions are not the subject of Unitholder approval.

Unitholder approval is being sought under section 611 item 7 of the Corporations Act from the Unitholder Meeting of each of DDF, DIT and DOT to allow Deutsche Bank and its associates to increase their voting power in DDF, DIT and DOT up to 35% (excluding those units in which Deutsche acquires a relevant interest in accordance with the conditions of the ASIC relief).

The Unitholders of DDF, DIT and DOT will vote on resolutions approving acquisitions of Units in the respective Trust on these terms, pursuant to section 611 item 7 of the Corporations Act.

8 Increase in Deutsche Bank's voting power

A number of Deutsche Bank's associates routinely acquire and dispose of DDF, DIT and DOT Units in the ordinary course of their business. These transactions primarily relate to the relevant entity's investment management activities and the relevant interest in these Units is held in that capacity. Some Deutsche Bank associates also routinely trade in Units in their capacity as principal – generally, for the purposes of facilitation. Facilitation relates to the activities of associates of Deutsche Bank in trading Units with their institutional clients for the purposes of market-making, rather than taking outright positions with a view to profit.

Separately, the Deutsche Group has sought, and ASIC has agreed in principle to grant limited relief to permit acquisitions of relevant interests in DDF, DIT, DOT or DRO Units by Deutsche Bank or its associates of up to 3% of the Stapled Securities pursuant to investment mandates and up to 3% under facilitation activities until August 2005. It will be a condition of this relief that no votes are cast on Units acquired in reliance on the relief other than where the beneficial owner who has given the investment mandate directs how the votes are cast.

8.4 Independent expert's report

Where Unitholder approval for the acquisition of Units under section 611 item 7 is sought, ASIC's Policy Statement 74 indicates that commissioning an independent expert's report into the matter is highly desirable. That report must accompany the Notice of Meeting which is dispatched to Unitholders.

In particular, the report must address the fairness and reasonableness of the issue as regard the non-participating Unitholders. The Independent Expert's Report contains a report in relation to this aspect of the Transaction and appears in Attachment 1.

The Independent Expert concludes that the potential increase in Deutsche Bank's relevant interest up to a maximum of 35% is fair and reasonable to non-participating Unitholders. The Independent Expert's Report is contained in Attachment 1. You should read the Independent Expert's Report in full.

8.5 Other information

ASIC's Policy Statement 74 requires that the Explanatory Memorandum set out certain prescribed information. This information is set out in Section 20.3 and should be read in full.

9 Financial information

9.1 Introduction

This section contains financial information in relation to DDF, DIT, DOT and DRT as follows:

Section 9.2 Basis of preparation of financial information

- (a) Accounting policies adopted
- (b) Forecast financial information
- (c) General forecast assumptions

Section 9.3 Statements of Financial Performance

- (a) Basis of preparation of Statements of Financial Performance
- (b) Historical and forecast Statements of Financial Performance for DDF, DIT and DOT
- (c) Forecast Statements of Financial Performance for DRT
- (d) Sensitivity analysis for DRT

Section 9.4 Distributions

- (a) Distribution policy
- (b) DRT Distribution Reinvestment Plan (DRP)
- (c) Tax position on distributions

Section 9.5 Statements of Financial Position

- (a) Basis of preparation of Statements of Financial Position
- (b) Historical Statements of Financial Position for DDF, DIT and DOT and proforma Statements of Financial Position for DRT

Section 9.6 Statements of Cashflows

- (a) Basis of preparation of Statements of Cashflows
- (b) Forecast Statements of Cashflows for DRT

Section 9.7 Debt Funding and Treasury

- (a) Debt funding
- (b) Gearing
- (c) Interest rate risk management
- (d) Foreign exchange risk management

Section 9.8 Credit rating implications for DRT

9.2 Basis of preparation of financial information

(a) Accounting policies adopted

The financial information in this Explanatory Memorandum has been prepared in accordance with Australian Generally Accepted Accounting Principles (AGAAP), being current Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board.

The adoption of Australian equivalents to International Financial Reporting Standards (IFRS) will be first reflected in the financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

DRFM, DBRE and DeAM have established a project team to manage the transition to the Australian equivalents of IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to IFRS. Some of these choices are still being analysed to determine the most appropriate accounting policy.

The major changes identified to date that will be required to existing accounting policies are as follows:

- Investment properties: changes in the fair values of investment properties will be adjusted through the Statements of Financial Performance rather than through the asset revaluation reserve of the Statements of Financial Position. Certain real estate investments currently classified as investment properties (such as properties under construction) may not meet the IFRS definition of investment property. Therefore, a separate class of assets may be shown on the face of the Statements of Financial Position.
- Financial instruments: all interest rate and foreign currency derivatives will be recognised at fair value in the statements of financial position, with changes in fair value during the period recognised in the statements of financial performance, or if classified as a cash flow hedge and proved to be 100% effective, deferred in equity in a hedging reserve.

9 Financial information

These two changes are the only material changes anticipated, but should not be regarded as the only changes in accounting policies that will result from the transition to IFRS as not all standards have been analysed and regulatory bodies have significant ongoing projects that could affect the differences between AGAAP and IFRS.

There are no forecasts of future valuations of properties or movements in the market 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 of the transition to IFRS on the forecast financial information reflecting, in particular, the potential volatility of property values. While the application of IFRS may introduce volatility into forecast financial information, this will not affect the cashflows from operations and hence the distribution paid to Unitholders or Stapled Securityholders.

(b) Forecast financial information

The forecast financial information has been prepared on the basis of certain assumptions. DBRE, DeAM and DRFM believe these assumptions to be reasonable and a best estimate based on information available at the date of this Explanatory Memorandum. Unitholders should be aware that many external influences, which are outside the control and/or foresight of DBRE, DeAM, and DRFM and their directors, might affect the forecast information. Whilst due care and attention was used to prepare the forecasts, Unitholders should be aware that they are not fact and should not place undue reliance on the forecast financial information.

By their very nature, forecasts may vary positively or negatively from actual results because of the underlying assumptions used to create them. As these assumptions are subject to uncertainties and contingencies, none of DBRE, DeAM, DRFM nor any other person, including their directors, can provide any assurance that the forecast results will be achieved. Unitholders are encouraged to review the assumptions and forecasts closely and make their own independent assessment of the future performance of DDF, DIT, DOT and DRT.

PwC has audited the historical financial information for DDF, DIT and DOT. PwC has also reviewed the forecast financial information for DDF, DIT, DOT and DRT. Unitholders should read the following financial information in conjunction with the comments on scope and limitations as set out in the Independent Accountant's report in Section 12.

(c) General forecast assumptions

The forecast financial information should be read in conjunction with the risks described in Section 11. The general assumptions adopted in preparing the forecasts for DDF, DIT, DOT and DRT include the following:

- no material change in external operating conditions, including the competitive environment;
- no change in corporate taxation rates in Australia, New Zealand and the US;
- no material changes to relevant regulations or legislation in Australia, New Zealand and the US;
- the forecasts include 12 months performance in respect of the Trusts plus nine months performance in respect of the Transaction. These forecasts incorporate new financing and other arrangements that are likely to be introduced upon completion, expected to be on or before 30 September 2004;
- if the Transaction is not approved by Unitholders, Transaction Costs of A\$19 million have been assumed;
- if the Transaction proceeds, Transaction Costs of A\$41 million have been assumed;
- no sale or purchase of assets other than those assets committed as at 30 June 2004 and Westfield Group transactions comprising the 50% sale of the Whitford City and Plenty Valley DDF retail assets and the 50% purchase of Mt Druitt and North Lakes as described in Section 7; and
- the following average interest rates, which have been used in the forecasts for floating rate exposure, were based upon the forward yield curve, excluding margin and other fees:

	FY05 (%)	FY06 (%)
Australia	5.54	5.76
US	2.54	3.87
New Zealand	6.32	6.58

For further information regarding interest rates, see Section 9.7.

The following average foreign exchange rates, which have been used in the forecasts for floating rate exposure, were based on the prevailing forward foreign exchange rates:

	FY05	FY06
A\$/US\$	0.6814	0.6680
A\$/NZ\$	1.1165	1.1255

9 Financial information

For further information regarding foreign exchange rates, see Section 9.7.

9.3 Statements of Financial Performance

(a) Basis of preparation of Statements of Financial Performance

The Statements of Financial Performance that follow have been compiled on the following basis:

- (1) Historical statements for DDF, DIT and DOT are extracted from the audited accounts.
- (2) Forecast statements for DDF, DIT and DOT are compiled as if the Transaction does not take place. For the avoidance of doubt, this means these forecast financial statements:

- **exclude** the effects of the acquisition of the US Assets, the 50% acquisition of DRFM and the A\$25 million investment in DWPF which would not proceed; and
- **include** other transactions (see Section 7) which would proceed and actual transaction costs incurred of A\$19 million if the Transaction does not proceed.

- (3) The Forecast Statements of Financial Performance for DRT have been compiled using the forecasts of DDF, DIT and DOT (as above) and then reflecting the financial effect of the Transaction, including total transaction costs of A\$41 million (time based and success based fees). The forecast Statements of Financial Performance for DRT assume completion of the Transaction on 30 September 2004. Consequently, FY05 includes 12 months of performance in respect of the Trusts plus nine months of performance in respect of the Transaction.

- (4) Property income includes property rental income and recoverable outgoings from tenants and other income relating to the property portfolio. Rent is brought to account on an accruals basis and, if not received at the balance date, is reflected in the Statements of Financial Position as a receivable.

Forecast rental income is based on existing leases and, where applicable, any expected changes on review and renewal. Several factors were taken into account in determining changes in property income and these include:

- Economic environment including competitive environment; CPI growth rates and general economic growth rates; and

- Renewal of leases to existing or new tenants at market rates. Allowances have been made for vacancy provisions and lease incentives where relevant.

Property income also includes the share of net profits of associates accounted for using the equity method.

(5) Property expenses include:

- recoverable expenses, being those operating costs that are paid by the tenant and include cleaning, insurance, statutory rates and taxes; and
- non-recoverable expenses, being items such as legal fees, marketing costs and amortisation of incentives and leasing fees.

It is expected that the property expenses will increase in proportion to property income growth.

- (6) Other expenses include fees for audit, taxation, legal, registry, ASX listing and custodian fees.

- (7) Interest expense includes borrowing costs and other costs, such as loan establishment fees, which are deferred and written off over the lesser of the term of the loan or five years. Interest income has been set off against interest expense.

Borrowing costs are expensed unless they relate to qualifying assets. Qualifying assets are assets that take a substantial period of time to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition or construction of a qualifying asset, the amount of costs capitalised is those incurred in relation to that borrowing, net of any revenue earned on those assets. Where funds are borrowed generally, costs are capitalised using a weighted average debt capitalisation rate.

- (8) Under current Australian income tax legislation, DDF, DIT and DOT are not liable for income tax provided Unitholders are presently entitled to all of the income of each Trust. It is intended that this will continue to be the case.

However, DRT is forecast to have income tax expense arising from the activities of DRFM. Further, distributions from US REIT will be net of US withholding taxes payable in respect of those distributions. This reduction in distributions from US REIT will be reflected in distributions by DRT. The US REIT will generally not be subject to US Federal or State income taxes provided it satisfies the necessary requirements of a REIT and distributes 100% of its taxable income to unitholders.

9 Financial information

Under current Australian Income tax legislation, DDF and DIT (as members of US REIT) will be generally entitled to receive a foreign tax credit for US withholding tax deducted from distributions paid.

Where a Stapled Securityholder holds more than 10% of the Stapled Securities in DRT at the time that a dividend is paid by the US REIT, US withholding tax of 30% (rather than 15%) will apply to that portion of the REIT dividend attributable to that Stapled Securityholder. The increased withholding tax will be borne by that Stapled Securityholder such that the Stapled Securityholder will receive a lower net distribution and a higher foreign tax credit. See PwC report in Section 12 for further details.

Tax allowances for building and plant and equipment depreciation will be distributable to unitholders in the form of tax deferred components of the distribution.

Tax expense has been forecast on the assumption of no legislative changes to tax laws other than certain changes already announced.

(9) Earnings per Unit (EPU) is stated:

- pre-capital items ie net profit/(loss) from property sales, assets revaluation increments/(decrements) and transaction costs; and
- for DRT, pre-amortisation of goodwill, if any arise on the Transaction.

(b) Statements of Financial Performance for DDF, DIT and DOT

1. DDF Statements of Financial Performance

A\$ million	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Forecast	FY06 Forecast
Net property income	105	115	119	133	147
Net management expenses	(8)	(9)	(9)	(8)	(9)
Other expenses	(1)	(1)	(1)	(1)	(1)
EBIT	96	105	109	124	137
Borrowing costs	(11)	(18)	(17)	(23)	(36)
Profit before tax	85	87	92	101	101
Tax expense	-	-	-	-	-
Outside equity interest	-	-	-	-	-
Profit after tax attributable to members (pre capital items)	85	87	92	101	101
Net profit from property sales	-	-	(1)	19	-
Transaction costs	-	-	-	(7)	-
Profit after tax attributable to members (post capital items)	85	87	91	113	101
Distribution	(82)	(88)	(90)	(98)	(101)

	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Forecast	FY06 Forecast
EPU (cents)	9.4	9.3	9.5	10.0	10.0
DPU (cents)	9.0	9.3	9.3	9.8	10.0
Tax deferred and CGT concession component (%)	33	44	55	0	35

9 Financial information

During FY04, two properties with a book value of A\$53 million were sold and A\$72 million was spent on redeveloping four properties and in FY03, two properties were acquired for a consideration of A\$58 million and A\$114 million was spent on redeveloping four properties. These additional properties and improvements gave rise to increased net property income.

The DDF forecasts are based upon the following assumptions:

- completion of the regional retail portfolio acquisitions and disposals detailed in Section 7.
- the following contracted sales:
 - Sale of Carnarvon Street, Silverwater, which settled in August 2004;
 - Sale of Axxess Corporate Park, Seven Hills, expected to settle during FY05; and
 - Sale by entering a put and call option for Chifley Square, Sydney. If exercised, the property is expected to settle in March 2005.
- the base fee for DDF is calculated at 0.45% per annum of gross assets paid monthly. Where DDF outperforms the ASX/S&P200 Property Accumulation Index (the Benchmark) a performance fee entitlement arises, based on 5% of the out performance up to 2.0% over the Benchmark and 15% of the out performance greater than 2.0% over the Benchmark. No performance fees have been assumed to apply in FY05 and FY06 which would reduce distributions unless arising from profit outperformance.
- transaction costs incurred of A\$7 million if the Transaction does not proceed. These costs relate to advisors' fees and expenses, fees associated with the debt arranging and interest rate hedging.

The FY05 taxable income for DDF is currently forecast to be A\$107 million which is greater than the forecast distribution of A\$98 million. This arises because the taxable income of DDF for FY05 includes discounted capital gains realised by DDF on the disposal of properties during FY05, notwithstanding the capital proceeds on disposal of the properties will be used to fund new property acquisitions (see Section 7).

The current DDF Constitution generally requires taxable income to be distributed. If required, DDF may either:

- propose a change to the Constitution requesting unitholders to approve the directors discretion as to the appropriate amount of distribution, being A\$98 million in respect of FY05; or
- DDF will distribute from capital the amount of taxable income in excess of the forecast distribution amount.

If the distributable income of DDF for the FY05 year is A\$98 million, Unitholders of DDF will be required to include in their taxable income an amount that is greater than the distribution they receive from DDF. Given that DDF will not distribute the CGT concession amount in relation to the nominal gain realised on the disposal of the properties, the difference between the taxable income recognised by Unitholders and the cash they receive from DDF will be higher for those Unitholders that are not entitled to the CGT discount in their own right (due to the requirement for Unitholders to gross up the discounted capital gain component of distributions – refer to the Greenwoods & Freehills report in Section 12 for details of this requirement).

9 Financial information

2. DIT Statements of Financial Performance

A\$ million	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Forecast	FY06 Forecast
Net property income	54	65	69	77	80
Net management expenses	(4)	(4)	(5)	(5)	(5)
Other expenses	(1)	(1)	(1)	(1)	(1)
EBIT	49	60	63	71	74
Borrowing costs	(8)	(13)	(16)	(20)	(22)
Profit before tax	41	47	47	51	52
Tax expense	-	-	-	-	-
Outside equity interest	-	-	-	-	-
Profit after tax attributable to members (pre capital items)	41	47	47	51	52
Net profit from property sales	-	2	(1)	3	-
Asset revaluation increments/(decrements)	(6)	-	8	-	-
Transaction costs	-	-	-	(3)	-
Profit after tax attributable to members (post capital items)	35	49	54	51	52
Distribution	(41)	(49)	(53)	(53)	(53)

	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Forecast	FY06 Forecast
EPU (cents)	15.2	14.6	13.9	15.0	15.4
DPU (cents)	15.0	15.4	15.8	15.8	15.8
Tax deferred and CGT concession component (%)	43	59	52	49	39

Note: EPU is stated pre-capital items.

During FY04, two properties with a book value of A\$14 million were sold, one property was acquired for a consideration of A\$38 million and A\$24 million was spent on redeveloping one property.

During FY03, seven properties with a book value of A\$36 million were sold and five properties were acquired for a consideration of A\$111 million. These additional properties and improvements gave rise to increased net property income.

The DIT forecasts are based upon the following assumptions:

- the following contracted sales:
 - Sale of vacant land at Rothschild Avenue, Rosebery, was due to settle on 12 July 2004. The purchaser has not completed the contract of sale. DeAM has commenced proceedings in the Supreme Court of New South Wales seeking a declaration that the purchaser specifically performs their obligations in relation to the contract of sale.
 - Sale of McDowell Street, Welshpool, expected to settle in October 2004.
- the base fee for DIT is calculated at 0.50% per annum of gross assets, paid monthly. Where DIT outperforms the ASX/S&P200 Property Accumulation Index (the Benchmark) a performance fee entitlement arises, based on 5% of the out performance up to 2.0% over the Benchmark and 15% of the out performance greater than 2.0% over the Benchmark. No performance fees have been assumed to apply in FY05 and FY06 which would reduce distributions unless arising from profit outperformance.
- transaction costs incurred of A\$3 million if the Transaction does not proceed. These costs relate to advisors' fees and expenses, fees associated with the debt arranging and interest rate hedging.

9 Financial information

3. DOT Statements of Financial Performance

A\$ million	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Forecast	FY06 Forecast
Net property income	154	145	151	164	186
Net management expenses	(10)	(10)	(10)	(11)	(12)
Other expenses	(1)	(1)	(1)	(1)	(1)
EBIT	143	134	140	152	173
Borrowing costs	(29)	(31)	(41)	(56)	(70)
Profit before tax	113	103	99	96	103
Tax expense	-	-	-	-	-
Outside equity interest	-	-	-	-	-
Profit after tax attributable to members (pre capital items)	113	103	99	96	103
Net profit from property sales	-	-	-	-	-
Transaction costs	-	-	-	(9)	-
Profit after tax attributable to members (post capital items)	113	103	99	87	103
Distribution	(110)	(113)	(103)	(101)	(103)

	FY02 Actual	FY03 Actual	FY04 Actual	FY05 Forecast	FY06 Forecast
EPU (cents)	9.8	8.9	8.7	8.3	9.0
DPU (cents)	10.0	10.0	9.0	8.8	9.0
Tax deferred and CGT concession component (%)	42	59	65	68	52

Note: EPU is stated pre-capital items.

During FY04, A\$296 million was spent on the development of two new properties and other capital works, funded by an increase in borrowings ahead of the corresponding increase in net property income.

During FY03, net profit decreased by A\$10 million, primarily due to a rise in portfolio vacancies, an increase in portfolio expenses and the conclusion of previous income support arrangements within the portfolio.

The DOT forecasts are based upon the following assumptions:

- the above figures reflect the acquisition of NRM Tower (Auckland) for A\$100 million. This purchase is expected to settle in April 2005 (see Section 7).
- the base fee for DOT is calculated at 0.45% per annum of gross assets up to A\$2.1 billion, plus 0.40% of gross assets over A\$2.1 billion, paid monthly. Where DOT outperforms the ASX/S&P200 Property Accumulation Index (the Benchmark) a performance fee entitlement arises, based on 5% of the out performance up to 2.0% over the Benchmark and 15% of the out performance greater than 2.0% over the Benchmark. No performance fees have been assumed to apply in FY05 and FY06 which would reduce distributions unless arising from profit outperformance.
- transaction costs incurred of A\$9 million if the Transaction does not proceed. These costs relate to advisors' fees and expenses, fees associated with the debt arranging and interest rate hedging.

9 Financial information

4. DRT Statements of Forecast Financial Performance

A\$ million	FY05 Forecast	FY06 Forecast
Net property income	471	548
Net management expenses	(21)	(21)
Other expenses	(8)	(7)
EBIT	442	521
Borrowing costs	(155)	(186)
Profit before tax	287	335
Tax expense (including US withholding tax)	(2)	(4)
Outside equity interest	(6)	(16)
Profit after tax attributable to members (pre capital items)	279	315
Net profit from property sales	22	-
Transaction costs	(41)	-
Profit after tax attributable to members (post capital items)	260	315
Distribution	(282)	(319)
EPU (cents)	10.5	11.0
DPU (cents)	10.5	11.0
Tax deferred and CGT concession component	44%	47%

Note: EPU is stated pre-capital items and pre-amortisation of goodwill.

Stapling Ratio DPU (cents)	FY05 Forecast	FY06 Forecast
DRT	10.5	11.0
DDF	10.5	11.0
DIT	15.9	16.6
DOT	9.8	10.2

The directors are unable to provide a proforma FY04 Statement of Financial Performance for DRT because of the absence of complete and reliable historical information in respect of the portfolio of properties being acquired as the acquisitions were of restructured property portfolios and the vendors include organisations for which the information is not publicly available.

The DRT forecasts can be reconciled to the Trusts' forecasts as follows:

Contribution to profit after tax attributable to members (pre capital items):	FY05 Forecast	FY06 Forecast
DDF	101	101
DIT	51	52
DOT	96	103
US Assets	22	27
DRFM contribution	5	8
Investment in DWPF	1	2
Group adjustments, including interest savings due to DRP	3	22
DRT	279	315

The forecasts are based upon the following assumptions:

- it is intended the management fee structure will be amended to reflect a single flat fee as follows:
 - performance fees will not apply to DRT. The last period for which performance fees will be calculated for DDF, DIT and DOT will be the six months ending 30 June 2004. No performance fees will be earned post 30 June 2004. Similarly, performance fees carried forward from previous periods will no longer be available;
 - the basis of calculation of the new fee arrangements payable to the responsible entity of DRT is:

Australian and New Zealand assets:

- Fee: 0.45% per annum of gross assets
- Basis: annualised average gross assets calculated on a month-end basis, in accordance with the Constitution
- Calculated: monthly
- Payment frequency: monthly
- Effective date: 1 October 2004

9 Financial information

US Assets:

- Fee: 0.35% per annum of gross assets
 - Basis: annualised average gross assets calculated on a month-end basis, in accordance with the Constitution
 - Calculated: monthly
 - Payment frequency: monthly
 - Effective date: 1 October 2004
 - In addition, a management fee of US\$700,000 per annum (subject to annual escalation by reference to the US inflation rate) is payable by the US Joint Venture to RREEF.
- DRT's share of profits from DRFM has been netted against DRT's management expense.
- it is assumed that no fees will be payable for DRO for FY05 and FY06;
 - the outside equity interests in DRT's net profit relates to CalWest Sub's 20% interest in the US Assets;
 - transaction costs totalling A\$41 million have been forecast to be incurred in FY05. They relate to advisers' fees and expenses, fees associated with the debt arranging and interest rate hedging (time based and success based fees); and
 - the Transaction may be required to be treated as an in substance acquisition for accounting purposes. The application of purchase accounting principles may result in the determination of goodwill which is not expected to be material. The actual purchase accounting entries will be determined at the date of the Transaction on the basis of fair values at that time.

(d) Sensitivity analysis for DRT

Unitholders should be aware that income forecasts may not be met for a variety of reasons. DBRE, DeAM and DRFM have considered the sensitivity of forecast EPU to certain key assumptions, assuming all other assumptions are held constant. Unitholders should note that the sensitivity analysis is intended to provide 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.

Interest rate sensitivity

The forecast Statements of Financial Performance for DRT are based on the assumed interest rates set out in Section 9.2. The table below shows the impact on the forecast EPU of changes in the assumed interest rate:

	DRT EPU (cents)	
	FY05	FY06
Per forecast	10.5	11.0
Increase in interest rates of 0.25%	10.4	10.9
Decrease in interest rates of 0.25%	10.6	11.0

The table illustrates that forecast EPU is not materially sensitive to assumed changes in interest rates during the forecast period. This is consistent with 70%–80% of borrowing costs being protected with fixed interest rate hedges during the forecast period.

Foreign exchange rate sensitivity

DRT will derive US\$ and NZ\$ earnings from its investments in the United States and New Zealand properties respectively. EPU is not materially sensitive to foreign exchange movements during the forecast period as:

- offshore assets (US and New Zealand) are funded by foreign denominated debt;
- forecast residual US income is 90%–100% hedged for FY05 and FY06; and
- forecast residual New Zealand income is minimal.

Other

Sensitivities relating to underlying property income have not been estimated as they are subject to existing tenancy arrangements. DBRE and DeAM have determined that these factors, whilst variable and subject to change, cannot be meaningfully expressed in the context of a sensitivity analysis.

As set out in Section 9.2, Unitholders should also be aware that the adoption of expected IFRS requires the value of underlying properties, treasury derivatives and borrowings be marked to market. This may introduce volatility into the future reported earnings of the Trusts and DRT. However, these items will be unrealised and are unlikely to require adjustment of the distributions payable by DRT.

9 Financial information

9.4 Distributions

(a) Distribution policy

DDF, DIT and DOT each fully distribute their distributable income to Unitholders by cash or in some cases reinvestment. Distributable income is determined by reference to the accounting and taxable income of the Trusts. The distributions for DIT and DOT are payable half-yearly and for DDF, paid quarterly.

It is currently proposed that DRT will distribute its reported profit after tax as presented on an AGAAP basis and adjusted for other amounts which the directors of DRFM may determine to take into account in order to reflect capital profits or losses and other items as considered appropriate. From time to time, the directors of DRFM may choose to vary this policy to reflect circumstances prevailing at that time.

Stapled Securityholders will receive distributions from each component of the Stapled Security. It is intended that these combined distributions will be paid to investors half-yearly, no later than two months after the end of each half-year.

(b) DRT Distribution Reinvestment Plan

If the Stapling Proposal is approved by Unitholders, the DDF and DIT distribution reinvestment plans will be suspended, however DRT will have a DRP in which Stapled Securityholders can elect to participate. For FY05 and FY06, the DRP will, at the election of the directors, be underwritten by Deutsche Bank. Initially, Stapled Securities will be issued at a minimum 2% discount to the weighted average trading price of Stapled Securities during the DRP pricing period. Refer to Section 15 for further details about the DRP.

The forecasts have been prepared on the assumption of a fully underwritten DRP at A\$1.30 per Stapled Security. Should the directors elect for any reason not to undertake the DRP (at A\$1.30 or any other price), additional funding to reduce borrowings to the target levels, may be obtained through sale of properties.

(c) Tax position on distributions

For the tax treatment of DRT distributions, see Greenwoods & Freehills report attached at Section 12.

9.5 Statements of Financial Position

(a) Basis of preparation of Statements of Financial Position

The proforma DRT Statement of Financial Position as at 30 June 2004 reflects:

- the DDF, DIT and DOT historical audited Statements of Financial Position as at 30 June 2004, adjusted for all sales and acquisitions up to Transaction completion (see Section 7); and
- the financial effect of all aspects of the Transaction that are expected to complete by 30 September 2004 namely the acquisition of the US Assets and the 50% acquisition of DRFM.

Significant accounting policies adopted are as follows:

Investment properties

It is the policy of DeAM and DBRE to review the carrying value of each property at the reporting date. External valuations of the individual investments are carried out in accordance with the Trusts' Constitutions, or earlier where DeAM, DBRE or DRFM believes there may be a material change in the fair value of the property.

Land and buildings have the function of an investment and are regarded as a composite asset. In accordance with AGAAP, the buildings and any component thereof (including plant and equipment) are not depreciated.

Expenses capitalised to properties may include the cost of acquisition, additions, refurbishment, redevelopment, borrowing costs and fees incurred.

Equity accounted investments

Some investments are held through ownership of units in unlisted property trusts and shares in a company. For these investments, DOT and DRT exert significant influence but do not have a controlling interest. In accordance with AGAAP, DOT and DRT have adopted the equity method of accounting for these investments in associates.

9 Financial information

Interest bearing liabilities

Existing secured borrowings continue to remain outstanding in DIT and DOT and will form part of the total DRT borrowings. The unsecured bank loans and medium term notes in DDF will be refinanced with an unsecured syndicated bank loan. DRT acquisitions will be financed with a combination of an unsecured syndicated bank loan and an unsecured bank bridge loan. Some of the new loans will be denominated in US\$ providing a natural hedge to the US Assets being acquired.

A\$/US\$ foreign exchange rate

An exchange rate of 0.7017 has been adopted for the purpose of translating the US Assets and associated borrowings as at 30 September 2004.

(b) Statements of Financial Position

30 June 2004	Actual (audited)			Proforma
A\$ million	DDF	DIT	DOT	DRT
Assets				
Cash	2	5	5	62
Investment properties	1,636	909	2,291	6,266
Equity accounted investments	-	-	40	110
Other assets	69	19	27	40
Total Assets	1,707	933	2,363	6,478
Liabilities				
Interest bearing liabilities	474	339	890	3,009
Other liabilities	39	40	72	238
Total Liabilities	513	379	962	3,247
Net Assets	1,194	554	1,401	3,231
Outside equity interests	-	-	-	(73)
Net assets attributable to members	1,194	554	1,401	3,158

	NTA (A\$) per existing Unit			
	DDF	DIT	DOT	DRT
FY04	1.20	1.64	1.22	1.20
FY03	1.19	1.58	1.22	n/a
FY02	1.14	1.50	1.25	n/a

	Stapling Ratios NTA (A\$)			
	DDF	DIT	DOT	DRT
NTA A\$ per Unit	1.20	1.81	1.12	1.20

	Gearing (%)			
	DDF	DIT	DOT	DRT
Gearing ¹	28	36	38	46

(1) Interest bearing liabilities less cash/total assets less cash

The DRT pro forma amounts for the material balances can be reconciled to the Trusts' balances as follows:

A\$ million	Investment properties	Interest bearing liabilities
DDF	1,636	474
DIT	909	339
DOT	2,291	890
US Assets	1,449	1,398
Regional retail assets (excluding Hurstville and West Lakes)	7	(9)
Sale of assets	(31)	(85)
Deposit on NRM Tower (Auckland)	5	5
DDF and DIT FY04 DRP participation	-	(8)
Investment in DRFM	-	5
Total DRT	6,266	3,009

9.6 Statements of Cashflows

(a) Basis of preparation of Statements of Cashflows

The Statements of Cashflows assume completion of the Transaction as at 30 September 2004. Consequently, FY05 includes 12 months of cashflows in respect of the Trusts plus nine months of cashflows in respect of the Transaction.

(b) Forecast Statements of Cashflows for DRT

A\$ million	FY05	FY06
Total cash flows from operating activities	414	503
Cashflows from investing activities:		
Capital expenditure	(285)	(138)
Disposal of property	147	-
Purchase of investments	(594)	-
Total cash flows from investing activities	(732)	(138)
Cashflows from financing activities:		
Net interest expense	(167)	(191)
Net movement in debt	532	(194)
Net movement in equity	208	300
Distributions paid	(241)	(300)
Total cash flows from financing activities	332	(385)
Net cash flow	14	(20)

9 Financial information

An analysis of the purchase of the investments is set out below:

Purchase of investments	FY05 A\$ million
Investment in DWPF	25
Purchase of NRM Tower (Auckland)	99
Investment in DRFM	70
Net investment in US REIT	300
Net investment in Regional retail assets	100
Total DRT	594

9.7 Debt funding and treasury

(a) Debt funding

DRFM will implement a re-structure of funding arrangements as part of the Transaction. However, it is intended that DIT and DOT will continue to be funded by their existing short and medium term securitised debt programmes. These programmes provide access to competitive costs of funds, attractive maturity profile and funding diversity.

Drawn debt facilities reconcile to interest bearing liabilities in the pro forma DRT Statement of Financial Position as follows:

Type of funding	Amount (A\$ million)
DDF debt to be refinanced	474
DIT ABCP/CMBS	339
DOT ABCP/CMBS	890
Net proceeds from sales and acquisitions	(84)
DDF and DIT FY04 DRP proceeds	(8)
New US debt	316
Existing US Joint Venture debt	1,082
Total	3,009

Existing DIT and DOT debt arrangements to remain in place following the Transaction are as follows:

Type of funding	Limit (A\$ million)
DIT CMBS maturing 15 December 2005	236
DIT ABCP	125
DOT CMBS maturing 15 April 2009	500
DOT ABCP	453
Total	1,314

DRT will enter into new facilities to re-finance DDF's existing unsecured debt and to fund the acquisition of new assets. DRT intends to continue to pursue a strategy to increase the maturity profile of debt and to diversify its source of funding.

As at 30 September 2004, DRT's sources of new debt are as follows:

Sources of new debt facilities	Amount (million)	Amount (A\$ million equivalent)
A\$ Facilities:		
Multi-currency Revolving 3 year bank debt	A\$300	300
Revolving 364 day bank debt	A\$300	300
364 day Bridge facility	A\$170	170
Total A\$ Facilities	A\$770	770
US\$ Facilities:		
Revolving 3 year bank debt	US\$210	300
180 day Bridge facility	US\$200	285
Total US\$ Facilities	US\$410	585
Total		1,355

As part of the Transaction, DRT will adopt a new financing structure to raise its unsecured borrowing requirements. Unsecured borrowings will be funded through finance entities supported by a master guarantee deed poll.

The A\$600 million and US\$210 million syndicated bank debt facilities for DRT has been underwritten jointly by Deutsche Bank and Westpac Institutional Bank.

The A\$170 million 364 day bridge facility for DRT has been underwritten by Westpac Institutional Bank.

The US\$200 million 180 day bridge facility for DRT has been underwritten by Deutsche Bank.

Both the syndicated bank debt facilities and the bridge facilities are subject to final documentation and to a number of conditions precedent, which are standard for facilities of this nature. DRT expects to be in a position to satisfy those conditions precedent.

DRT intends to re-finance the new 180 day bridge with the proceeds of a debt capital markets transaction which is proposed to be completed within this time frame.

DRT intends to repay the new 364 day bridge with the proceeds from the sale of assets to be completed within this time frame.

9 Financial information

In addition to the existing secured CMBS and ABCP borrowings and the new facilities, DRT's consolidated debt will include facilities which will form part of the new US Joint Venture. Details of these facilities are as follows:

Type of funding	Fixed rate/ floating	Drawn facilities (US\$ million) 100% interest	Drawn facilities (US\$ million) 80% interest
Single property secured bank debt	Fixed	42	33
Multiple property secured bank debt maturing 1/3/2009	Fixed	85	68
Multiple property secured bank debt maturing 31/8/2009	Fixed	225	180
CMBS maturing 25/9/2008	Floating	157	126
Unsecured MTN maturing 15/9/2010	Fixed	5	4
Total		514	411

In addition to the existing US debt facilities described in the table above, there is US\$245 million of existing non-voting and non-participating preference shares to be redeemed (currently anticipated by June 2005).

Maturity profile

The maturity profile of DDF, DIT and DOT's financing facilities as at 30 June 2004 was as follows:

Maturity	Facility Limit A\$ million
Due within 1 year	1,103
Due 1 to 5 years	736
Total	1,839

The maturity profile of DRT's financing facilities following implementation of the Transaction is forecast to be:

Maturity	Facility Limit A\$ million
Due within 1 year	1,338
Due 1 to 5 years	1,907
Due 6 to 10 years	8
Total	3,254

(b) Gearing

DRT gearing as at 30 September 2004 is forecast to be 46%. Gearing is calculated as interest bearing liabilities less cash divided by total assets less cash. Gearing is forecast to decrease to approximately 43% by 30 June 2006. The

reduction in gearing is expected to be achieved by receipt of funds from asset sales and the underwritten DRP net of capital expenditure. It is the current intention to maintain long term gearing of DRT within the range of 40% to 45%. However, DRFM is prepared to exceed this range for a major acquisition provided DRT can return to its desired gearing level in the short term.

(c) Interest rate risk management

DDF, DIT and DOT activities expose them to changes in A\$ interest rates. There are policies and limits approved by the board of directors of DeAM and DBRE in respect of the usage of derivatives and other financial instruments to hedge those cash flows which are subject to interest rate risks. In conjunction with their advisers, DeAM and DBRE continually review the Trusts' interest rate risk management and treasury policies and procedures. The Trusts do not trade in derivative instruments for speculative purposes. DRT will continue to apply this policy.

Following the Transaction DRT's debt will be denominated in A\$, US\$ and NZ\$. DRT has entered into US\$ interest rate swap agreements and interest rate options to hedge a portion of its exposure against fluctuations in floating interest rates. The fixed rate hedging profile of DRT after the Transaction, which has an average duration of over four years, is as follows.

Period	% of Forecast Debt at Fixed A\$ and US\$ Interest Rates
FY05	70-80
FY06	70-80

9 Financial information

(d) Foreign exchange risk management

DRT will derive US\$ and NZ\$ earnings from its investments in the United States and New Zealand properties respectively. On, or prior to, completion of the Transaction, DRT will enter into US\$ hedges to protect between 90%–100% of its FY05 and FY06 US\$ earnings against fluctuations arising from exchange rate volatility. Exposure arising in relation to NZ\$ earnings is minimal.

DRT will also have US\$ and NZ\$ assets from its investments in properties in the United States and New Zealand respectively. To protect the value of DRT's net assets (in A\$ terms) from the potential adverse impact of exchange rate fluctuations (translation risk), DRT will hedge its foreign currency assets by debt funding such assets in the respective foreign currency.

DRT will not enter into any cross currency swaps for the acquisition of the US Assets because the net US\$ asset position will be funded by borrowing US\$. Whilst the investment will be fully hedged against translation risk on completion, it is DRFM's intention to maintain a substantial portion of balance sheet hedging through the life of the investment. To the extent that the net US\$ asset position of DRT increases above its then current US\$ borrowings, DRT may enter into cross currency swaps to maintain a desired level of hedging.

9.8 Credit rating implications for DRT

DDF currently holds a "BBB+" long term credit rating from Standard & Poor's which also applies to DDF's A\$125 million medium term notes, maturing on 15 September 2004.

On 4 August 2004, S&P placed DDF's BBB+ long term rating on credit watch with positive implications. Further, S&P expects that resolution of the credit watch is likely to result in an affirmation of the current rating.

DOT's A\$500 million CMBS, maturing in April 2009, is rated "AAA" by Standard and Poor's and "AAA" by Moody's Investor Services.

DIT's A\$236 million CMBS, maturing in December 2005, is rated "AAA" by Standard and Poor's. Standard and Poor's also rates asset-backed commercial paper issued by DIT and DOT from their respective asset-backed programmes.

On 5 August 2004, S&P announced that the ratings on both DIT and DOT's CMBS and asset-backed commercial paper programs would remain unchanged. S&P further stated that the Transaction will not impact on the secured interests of noteholders in the above mentioned programs.

10 Fees and other costs

This table below shows fees and other costs that you may be charged as a Stapled Securityholder if the Transaction is implemented. The fees and costs set out below are payable in respect of each Trust. These fees and costs may be deducted from your money or from the returns on your investment or from the assets of each Trust as a whole.

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

Type of Fee or Cost	Amount	How & when
Fees when your money moves in or out of the Trust		
Establishment fee. This is the fee to set up your initial investment.	Nil	Not applicable
Contribution fee. This is the fee for the initial and every subsequent investment you make (or that may be made on your behalf)	Nil	Not applicable
Withdrawal fee. This is the fee for each withdrawal you make (including any instalment payments and your final payment)	Nil	Not applicable
Termination fee. This is the fee when you finally close your investment	Nil	Not applicable
Management Costs		
Base management fee	Each Trust's base management fee is: <ul style="list-style-type: none"> • 0.45% of the gross asset value of all Australian and New Zealand assets of the Trust; and • 0.35% of the gross asset value of the US Assets. For each Trust, DRFM is entitled to charge 1% of gross asset value but intends to charge fees as outlined above. In respect of DRO, it will waive its fee except for costs associated with management time in pursuing new business opportunities for DRO.	Each Trust's base management fee is: <ul style="list-style-type: none"> • calculated by reference to the annualised average gross assets, on a month end basis in accordance with the Trust's Constitution; • calculated and paid monthly; and • effective from 1 October 2004.
Additional Service Fees		
Switching fee: This is the fee for when you switch between investment options	Nil	Not applicable
Adviser service fee: This is the fee for extra advice from your adviser about your investment. (An adviser may also be paid other amounts as commission out of one or more of the fees listed above)	Nil	Not applicable

Important additional information

Base management fee example

Immediately following completion of the Transaction, the total assets of the Trusts, broken down into their Australian/NZ and US components, and the per annum fees payable, were these assets to be the month end balances for each month of the year, will be as follows:

Trust	Australian/ NZ Total Assets A\$ Million	Rate (%pa)	Fees A\$ Million	US Total Assets A\$ Million	Rate (%pa)	Fees A\$ Million	Total Fees A\$ Million
DDF	1,722	0.45	7.7	591	0.35	2.1	9.8
DIT	925	0.45	4.2	591	0.35	2.1	6.3
DOT	2,394	0.45	10.8	-	0.35	-	10.8
DRO	70	Waived	-	-	0.35	-	-
DRT Total	5,111		22.7	1,182		4.2	26.9

10 Fees and other costs

Immediately following completion of the Transaction, there is estimated to be 2,633,842,242 Units on issue. Using the same figures as in the example above, the total fees payable per Stapled Security would be \$0.01. You can calculate the fees that would be payable by you in this sample scenario by multiplying the number of Stapled Securities you will hold if the Stapling proceeds (see Section 3) by \$0.01.

Administration costs

For each Trust, the responsible entity is indemnified and entitled to be reimbursed out of, or have paid from the assets of the Trust, all costs incurred by it in the proper performance of its duties, exercise of its powers, the course of its office or in relation to the administration or management of the Trust.

For each Trust, the responsible entity's right of indemnity and reimbursement extends to liabilities to its creditors (in its capacity as responsible entity of the Trust), notwithstanding that the assets of the Trust may have suffered a loss or diminished in value as a consequence of any unrelated act, omission or breach of trust by the responsible entity or any person acting on its behalf. These costs include, but are not limited to, audit fees, custodian fees, legal fees, registry costs, listing fees, accountant's fees, ASIC fees, costs associated with the sending out of statements and distribution cheques, meeting costs, compliance costs, communications with Unitholders, fees of asset and property managers, rates, insurance and building operating expenses (except to the extent they are borne by tenants).

DRFM's practice is for the Trusts to incur these costs directly where possible. Where this is not practical, DRFM will pay these costs and be reimbursed by the Trusts in the following month.

Based on the amounts reimbursed for the year ending 30 June 2004, DRFM estimates that it will be entitled to be indemnified or reimbursed the following amounts (all amounts shown are percentages of the gross asset value of the Trust):

- DDF – 0.01 % per annum;
- DIT – 0.06 % per annum;
- DOT – 0.03% per annum; and
- DRO – no information available

This estimate excludes any costs associated with this proposal for which the responsible entity is entitled to be reimbursed by the Trusts.

Based on these prior year estimates and the same gross asset value estimates in the fee example above, and assuming that there are 2,633,842,242 Units on issue, DRFM estimates that it will be entitled to be reimbursed out of the assets of the Trusts A\$1,422,407 per annum, which equates to \$0.0005 per Stapled Security per annum, calculated as follows:

DDF entitlement = $0.01\% \times \text{A\$1,722 million per annum}$
= A\$0.2 million per annum.

DIT entitlement = $0.06\% \times \text{A\$925 million per annum}$
= A\$0.5 per annum.

DOT entitlement = $0.03\% \times \text{A\$2,394 million per annum}$
= A\$0.8 per annum.

DRO entitlement = no information available

Total entitlement = A\$1.5 million per annum

Trailing fees

Trail commissions will not be paid and fee rebates will not be offered to financial advisers by DRFM in connection with DRT.

GST

If DRFM is required to pay GST on the supply of any goods or services made in connection with a Trust or in relation to its fees, it may recover an amount equal to the GST from the assets of the relevant Trust to the extent allowable under the Constitution of the Trust.

Other fees

DRH may also charge fees for each of the following services:

- Property Management Fees
- New Lease Fees
- Lease Renewal and Option Fees
- Rental Review Fees
- Routine Works Fees
- Development Fees
- Sales and Acquisition Fees

10 Fees and other costs

Other payments from DRH and DRFM to DAL

DRH and DRFM propose to enter into agreements with DAL, DeAM, Deutsche Bank AG and RREEF America LLC to provide certain services. These are summarised as follows:

- Brand Control and Trade Mark Licence Deed – this deed gives DRFM a licence to use certain trade marks and a brand. DRFM will be required to reimburse costs incurred by those parties in monitoring DRFM's use of those trade marks and the brand.
- Transitional Services Agreement – under this agreement DAL will provide operational services for a transitional period until DRFM and DRH have developed an operational infrastructure. DRFM and DRH will be required to pay the calculated Service Fees and pass-through costs. These fees and costs are based on a proportional allocation of the total costs incurred by DAL in providing operational services.

US management fees

For services to the US Joint Venture, the US Manager is entitled to receive fees as follows:

- acquisition fees equal to 0.50% of the gross purchase price of any property or ownership interest in property;
- disposal fees equal to 0.50% of the gross sale price of any property or ownership interest in property;
- financing fees equal to 0.25% of the loan obtained if RREEF America played a material role in securing such financing;
- an annual management fee of US\$700,000 per annum (subject to annual escalation by reference to the United States' inflation rate); and
- property management fees in the range of 2–4% of gross assets. Property management fees are defined to include leasing, capital expenditure management and general property management.

11 Advantages, disadvantages and risks

11.1 Introduction

This section of the Explanatory Memorandum provides an overview of the advantages, disadvantages and risks of the Transaction for Unitholders in each of DDF, DIT and DOT.

The directors of DBRE and DeAM have:

- (a) considered the advantages, disadvantages and risks of the Transaction for their respective Unitholders' interests;
- (b) concluded that the advantages outweigh the disadvantages and risks for their respective Unitholders; and
- (c) unanimously recommend that their respective Unitholders vote in favour of all resolutions.

None of the directors of DBRE or DeAM hold units in any of the Trusts.

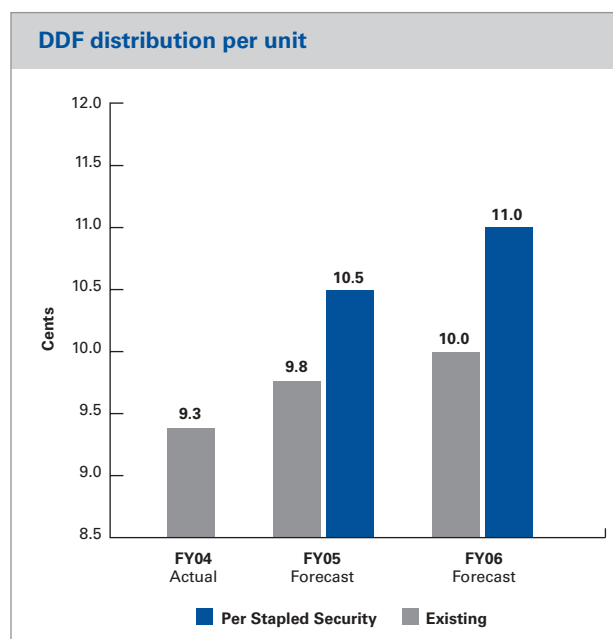
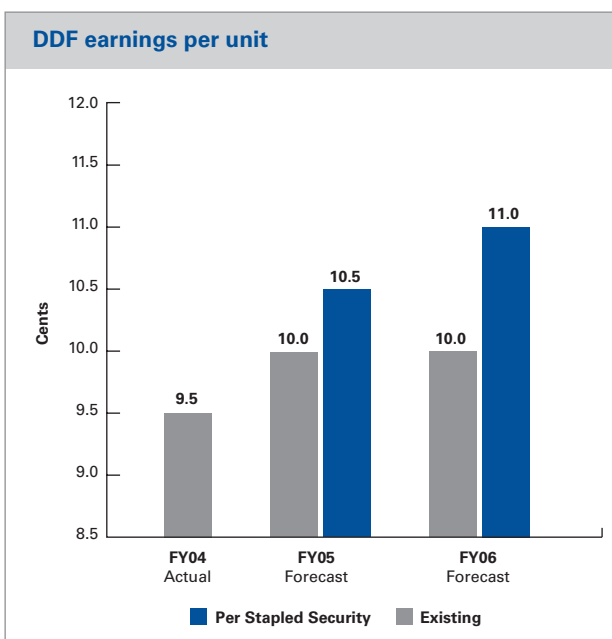
11.2 Advantages

(a) Financial benefits

(1) Increase in earnings and distributions

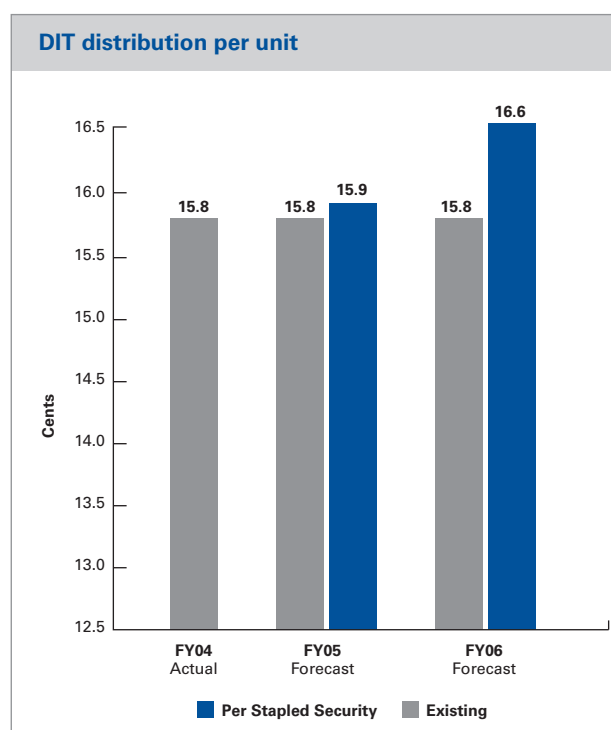
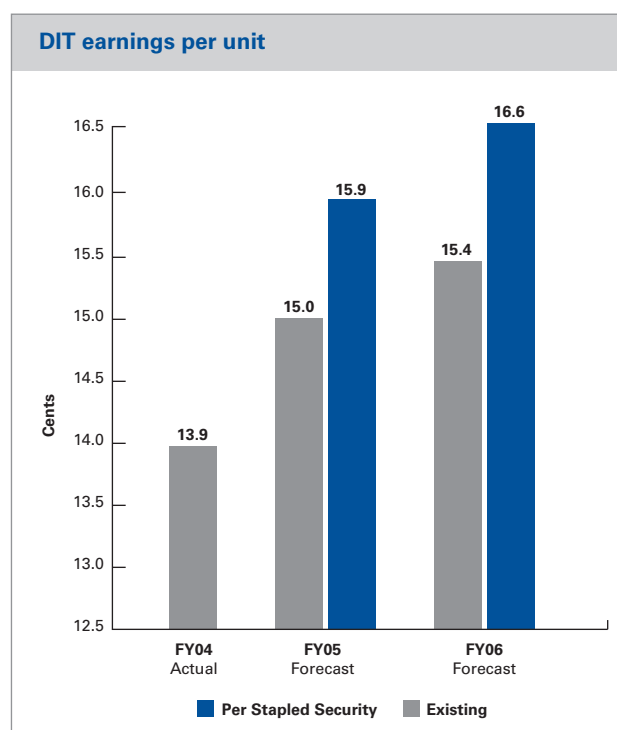
The Transaction is forecast to result in increased earnings and distributions for Unitholders as summarised in the charts below.

DDF Unitholders

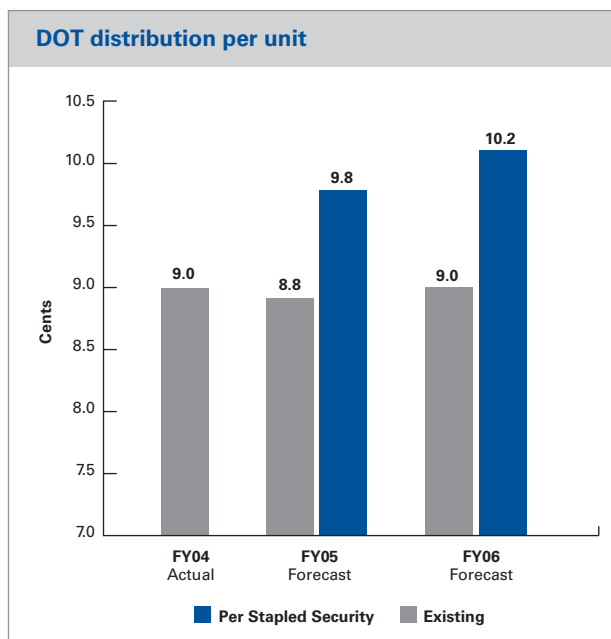
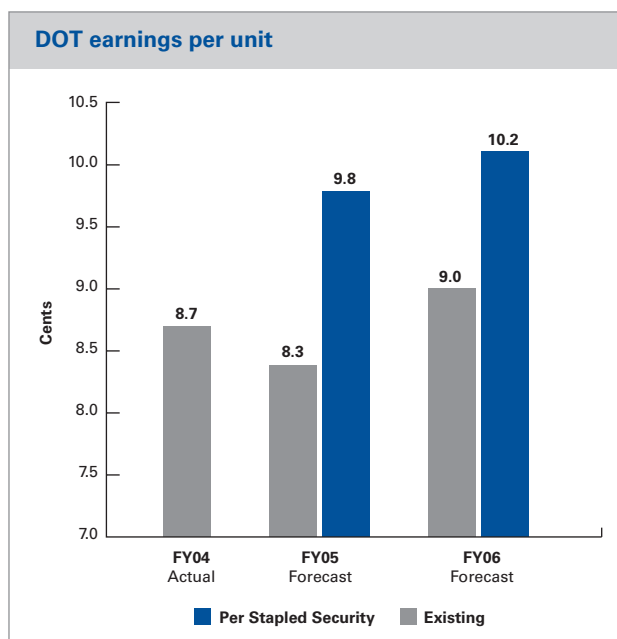


11 Advantages, disadvantages and risks

DIT Unitholders



DOT Unitholders



- For details of the forecasts, including relevant assumptions underlying the forecasts, see Section 9.
- The charts above do not include the benefit of foreign tax credits on dividends and the tax advantaged component of distributions. Details of the relevant taxation consequences are set out in the Tax Reports in Section 12.

11 Advantages, disadvantages and risks

(2) Synergies

There are a range of potential synergies available from the Transaction which are expected to include business efficiencies and cost savings.

(3) NTA implications

At completion of the Transaction:

- the NTA of DIT Units is forecast to increase from A\$1.64 per Unit to A\$1.81 per Unit and
- the NTA of DDF Units is forecast to remain unchanged at A\$1.20 per Unit.

See Section 9 for details of assumptions underlying the forecast NTA per Unit.

(b) Enhanced growth opportunities

The Transaction is designed to establish a platform for DRT with enhanced financial strength and scale, potential to pursue future growth opportunities and increase returns for Stapled Securityholders. Specifically, the Transaction incorporates the following:

- access to the DB Real Estate global platform (including RREEF), thereby providing DRT with improved capacity to pursue offshore acquisition opportunities;
- increased ability to compete for assets domestically and overseas, resulting from DRT's enhanced scale and associated access to capital markets;
- enhanced ability to capitalise on opportunities within different asset sub-sector property cycles, across a diversified asset portfolio base;
- the ability to source new income streams by establishing and managing third party property funds; and
- the ability to develop or acquire new property related businesses.

(c) Improved access to capital

DRT is expected to benefit from improved access to capital on more attractive terms through:

- improved access and appeal to equity investors, both domestically and offshore, due to increased market capitalisation; and
- access to a broader spectrum of debt products, including the ability to source debt in offshore markets and offshore currencies, consistent with DRT's gearing and foreign exchange policy.

(d) Increased geographic and property diversification

Following the Transaction, DRT will own assets worth approximately A\$6.2 billion, diversified both geographically and across property sectors.

The portfolio mix will:

- provide investors with enhanced diversification and reduce the materiality of specific market or asset sub-sector risks, which should improve earnings stability; and
- improve the growth alternatives available to DRT by enabling DRT to acquire property within a broader mandate.

(e) Reduced volatility of earnings

DRT's asset diversification, both geographically and by asset sub-sector, should provide the potential for reduced volatility of earnings.

(f) Partial internalisation

DRT's acquisition of a 50% interest in DRFM provides an enhanced alignment of interests of key stakeholders by integrating funds and property management with property ownership. Additionally, as part of the acquisition, Stapled Securityholders will benefit from DRT's 50% investment in DRFM.

(g) Increased lease expiry profile for DIT Unitholders

The weighted average lease term to expiry (by income) of DRT is 4.8 years. This compares to the weighted average lease term to expiry for DIT Unitholders of 4.3 years.

(h) Reduction in overall trust management fees and elimination of performance fees

Following implementation of the Transaction the base trust management fee for DRT will be lower than the combined current base trust management fees for DDF, DIT and DOT. In addition, current performance fees for DDF, DIT and DOT will be eliminated.

(i) Partnership with leading global real estate managers and investors

Following the Transaction, DRT will have partnerships with leading global investment and real estate groups including CalPERS, RREEF and the Westfield Group.

This is expected to result in increased opportunities to acquire properties and to enhance returns on properties managed.

11 Advantages, disadvantages and risks

(j) Increased market capitalisation and liquidity

DRT is expected to receive greater interest from investors as a consequence of its combined market capitalisation and anticipated improved investor spread.

(k) Enhanced management structure

The Transaction will result in the integration of funds and property management functions for DDF, DIT and DOT to the benefit of all Unitholders.

The Stapling of DDF, DIT and DOT into DRT will remove the potential for conflict between the managers of the three separate Trusts. As part of DRT, management will undertake focussed active asset management for the benefit of Stapled Securityholders.

By virtue of DRT's scale and diversity, management will be able to broaden its focus on alternatives for growth, rather than being constrained by trust specific investment mandates.

(l) Expanded management team

DRT's relationship with RREEF will bring a new depth of management expertise within the global real estate markets. Initially this expanded team will comprise the following RREEF executives through the US industrial portfolio investment:

- Daniel Weaver as a proposed director of DRFM;
- Warren Otto as the CalWest portfolio manager; and
- John Campbell as the US Industrial Portfolio Manager.

See Section 2.

11.3 Disadvantages

(a) Potential adverse tax consequences

Full details of the tax implications of the Transaction can be found in the Tax Reports in Section 12.

For holders of DDF Units who acquired their Units prior to 20 September 1985 and whose DDF Units still have pre-CGT status the Transaction may have negative tax consequences. This is because, without the Transaction, any gain made on disposal of their current investment would not be subject to tax. The effect of participating in the Transaction for such holders is that a substantial portion of the value and tax cost of their existing investment will be reallocated to newly acquired Units and therefore, a portion of any capital gain accrued on the DDF Units at the time of the Transaction

would be subject to tax if the Stapled Security was sold following the Transaction. No Units were issued in DIT or DOT before 20 September 1985.

There may also be negative consequences for DDF, DIT and DOT Unitholders who acquired their Units after 20 September 1985 who elect to sell their Units through the Cash Sale and Exchange Facilities, as this will amount to a disposal for capital gains tax purposes. Post-CGT, DDF, DIT and DOT Unitholders may in any case be required to recognise a capital gain to the extent that the capital distribution received by the Unitholder as part of the Stapling exceeds the prevailing cost base of that Unitholder's Units.

Foreign Unitholders of DDF, DIT and DOT may also have negative tax consequences from the Transaction and should seek their own advice on the tax impact of the Transaction with respect to their holdings.

Upon disposal of a Stapled Security within 12 months of the Transaction, Stapled Securityholders will not be entitled to discount capital gains tax treatment on the entirety of any capital gain. Such treatment would not apply to DDF, DIT or DOT Units which were acquired more than 12 months prior to the disposal.

(b) Different tax treatment of distributions

Currently, investors in DDF, DIT and DOT receive distributions comprising taxable and tax deferred components.

Under the proposed Transaction, DRT will broaden its investment base to include investments in the US and investments held through DRO. Therefore, in the future investors will receive distributions that will be split between the following:

- taxable income;
- tax deferred income;
- foreign tax credits for tax paid by DRT on income received from the US; and
- franked income, to the extent that tax is paid by DRO, which holds the investment in DRFM.

(c) Timing of distributions

Currently investors in DDF receive distributions on a quarterly basis. Under the Transaction, those former DDF Unitholders will receive distributions half-yearly, with the first distribution scheduled to be made in February 2005 in respect of the six months ending 31 December 2004.

11 Advantages, disadvantages and risks

(d) Increased gearing and financial risk

As at 30 September 2004, DRT will have forecast gearing of 46%. This compares to the following gearing for each of the individual Trusts at 30 June 2004:

- DDF 28%
- DIT 36%
- DOT 38%

The gearing for DRT is forecast to fall to 43% by 30 June 2006, which is within its stated gearing policy range of 40% and 45%. The reduction in gearing will be achieved through asset sales and the underwritten DRP.

Higher gearing could increase Unitholders' exposure to changes in interest rates, though the risk of changes in interest rates will be mitigated by hedging, as detailed in Section 9. Higher interest rates could also increase the impact of changes in property income and asset values.

(e) Withholding tax – Unitholders with greater than 10%

If a Stapled Securityholder holds more than 10% of the Stapled Securities on issue in DRT, their distributions may be reduced by the consequential increase in US withholding tax applicable to that Stapled Securityholding. However, there will be a corresponding increase in foreign tax credits.

(f) NTA implications

At completion of the Transaction, the NTA of DOT Units is forecast to decrease from A\$1.22 per Unit to A\$1.12 per Unit.

See Section 9 for details of assumptions underlying the forecast NTA per Unit.

(g) Loss of sector specific exposure

DRT will give Unitholders exposure to a portfolio of property assets, diversified in terms of geography and asset class. Unitholders who have invested in DIT and DOT for their exposure to the Australian industrial and office property markets respectively, will under the Transaction lose this sector specific exposure.

(h) Reduced lease expiry profile for DDF and DOT Unitholders

If the Transaction is implemented, including the other transactions discussed in Section 7, the weighted average lease term to expiry (by income) of DRT will be 4.8 years as at 30 June 2004. This compares to the following weighted average lease terms to expiry for each of the individual

Trusts as at the same date:

- DDF: 4.9 years
- DIT: 4.3 years; and
- DOT: 6.0 years.

(i) Transaction costs

The total transaction costs are expected to be A\$41 million if the Transaction proceeds. If the Transaction does not proceed, costs will be approximately A\$19 million to be borne by Unitholders.

(j) Possible effects of call rights and other matters

As described elsewhere in this Explanatory Memorandum, a number of properties and shareholdings that DRT will either own or have an interest in will be subject to call rights provisions. Those provisions may be triggered upon certain takeover events occurring in relation to DRT and the Trusts.

These include call rights provisions in relation to the following properties:

- Westfield Shoppingtown Mt Druitt and Westfield Hurstville; and
- North Lakes, Plenty Valley, West Lakes and Whitford City.

DRT's interest in the US Assets will also be subject to pre-emptive rights provisions by virtue of the shareholding arrangements in the US Joint Venture (see Section 5).

The interest of DRO in DRFM is also subject to provisions which mean that FAP may put its shares and loan notes in DRH to DRO (see Section 19 which also describes the price payable by DRO in those circumstances).

The details of each of these matters, and the events which may trigger the relevant provisions, are set out elsewhere in this Explanatory Memorandum.

Provisions of this kind are common for jointly held assets, particularly when dealing with substantial co-owners. These arrangements were entered into at arms length and on commercial terms, and were a requirement of the relevant vendors. However, one possible view is that the collective effect of these arrangements may be to make DRT less attractive to third party acquirers because some of DRT's assets are subject to pre-emptive rights.

Nevertheless, taken as a whole, the directors consider the arrangements to be in the best interests of Stapled Securityholders.

11 Advantages, disadvantages and risks

11.4 Risks

This Section describes a number of risk factors which may affect the income levels and value of DRT and consequently the income produced by and value of Stapled Securities. In broad terms, there are two major kinds of risk affecting an investment in Stapled Securities, being risks associated with an investment in DRT and risks more generally associated with ownership of listed property securities.

These classes of risk are outlined separately below.

(a) Risks associated with an investment in DRT

- (1) Fluctuations in the value and income of properties including:
 - factors affecting occupancy rates, such as demand for and supply of properties and space in the market in which the property is located;
 - factors affecting renewal of existing leases;
 - factors affecting market rentals including tenant incentives;
 - increase in non recoverable property outgoings;
 - tenant default rates;
 - requirements for capital expenditure on the property; and
 - supply of debt and equity finance for the property.
- (2) Currency fluctuations may affect the value of your investment and your returns. See Section 9 for further information on DRT's currency hedging policy.
- (3) An investment in US property involves additional risks which include:
 - the tax treatment of the REIT through which the properties are held may change; and
 - the existing US/Australia tax treaty may change, impacting on the withholding tax borne by DRT.
- (4) A change of tax or stamp duty laws or interpretation of tax or stamp duties laws could affect your returns including changes currently under consideration.
- (5) Unexpected consequences arising from the adoption of Australian equivalents of IFRS.
- (6) Failure to receive requisite consents in respect of the transfer to DRFM of some of existing third party FUM.
- (7) Loss of third party FUM on an ongoing basis.
- (8) Loss of key personnel.

- (9) Failure to achieve cost savings.
- (10) Failure to achieve anticipated benefits from development and hold activity.
- (11) Failure to achieve the forecast proceeds from asset sales that have been allocated to repay the 364 day bridge facility.
- (12) The cost and availability of equity funds including the forecast underwritten DRP.
- (13) The cost and availability of debt funds and fluctuating interest rates.
- (14) Regulatory issues and changes in laws.
- (15) Uninsurable risks.
- (16) Disputes.
- (17) An increase in the supply of listed property trusts on the ASX.
- (18) If a lender under existing loan arrangements for the US Assets does not consent to the US REIT's acquisition of an interest in those assets, financial penalties may be imposed.
- (19) CalWest Sub is providing representations, warranties and corresponding indemnities in connection with a variety of contingent liabilities that could have a negative impact on the value of the US Assets. However, these representations, warranties and indemnities expressly do not cover any liabilities that may have arisen prior to 7 December 2001.

(b) Risks associated with investing in listed property securities

- (1) Market price and liquidity

The market price of listed securities may fluctuate due to various factors, including:

- the credit rating of the listed entity;
- Australian and international economic conditions;
- Australian and international interest rates;
- conditions in Australian and international equity markets; and
- perception of listed property as an investment.

- (2) Taxation

There may be changes to the tax treatment of listed securities including listed property securities which are adverse to holders of such securities.

Part B

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25 August 2004

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The Directors
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The Directors
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Dear Directors

Proposed Stapling of Deutsche Office Trust, Deutsche Industrial Trust and Deutsche Diversified Trust

1 Introduction

On 4 August 2004, Deutsche Asset Management (Australia) Limited ("DeAM"), as responsible entity for Deutsche Office Trust ("DOT") and Deutsche Industrial Trust ("DIT"), and DB Real Estate Australia Limited ("DBRE"), as responsible entity for Deutsche Diversified Trust ("DDF"), announced a proposal to merge the trusts and undertake certain other transactions (the "Proposal"). Both DeAM and DBRE are wholly owned subsidiaries of Deutsche Australia Limited ("Deutsche Australia"), which is itself a wholly owned subsidiary of Deutsche Bank AG ("Deutsche Bank").

The merger is to be achieved by stapling the units in DOT, DIT, DDF and a newly established trading trust named DB RREEF Operations Trust ("DRO"). The four securities will be "stapled" to each other and will trade jointly on the Australian Stock Exchange ("ASX") as a single security under the name DB RREEF Trust ("DRT"). The Proposal also involves:

- the acquisition by DRT (through DRO) of a 50% interest in DB RREEF Holdings Pty Limited ("DBRF Holdings") from a wholly owned subsidiary of Deutsche Bank. At the time of acquisition, DBRF Holdings will own 100% of DB RREEF Funds Management Limited ("DBRF Management") which will become the responsible entity for all of the trusts and, subject to certain approvals, will be responsible entity and investment manager for a range of other real estate mandates including for Deutsche Wholesale Property Fund ("DWPF"). These operations effectively comprise the current DB Real Estate business conducted by Deutsche Bank in Australia. The consideration for the 50% interest in DBRF Holdings will be \$70 million to be satisfied by the issue of stapled securities in DRT to a value of up to \$65 million plus cash for working and regulatory capital;
- the acquisition by DRT (through DDF and DIT) of an 80% interest in a US\$1.0 billion (\$1.5 billion) portfolio of 93 industrial properties in the United States (the "US Industrial Portfolio") from Calwest DBRIT LLC ("Calwest Sub"), a wholly owned subsidiary of Calwest Industrial Properties LLC ("Calwest"). Calwest is 98% owned by The California Public Employees' Retirement System ("CalPERS"), one of the largest investment institutions in the United States. The acquisition is to be structured as a joint venture between DRT (80%) and Calwest (20%) (the "US Joint Venture"). The US Joint Venture is to be funded with debt of approximately 51%; and
- the participation of DRT (through DDF) in a potential equity raising by DWPF to partially fund the proposed acquisition of a \$312.5 million property portfolio. DRT may invest \$25 million in new DWPF units (approximately 1.8% of the enlarged fund) and may invest up to a further \$25 million depending on investor demand for the DWPF equity raising.

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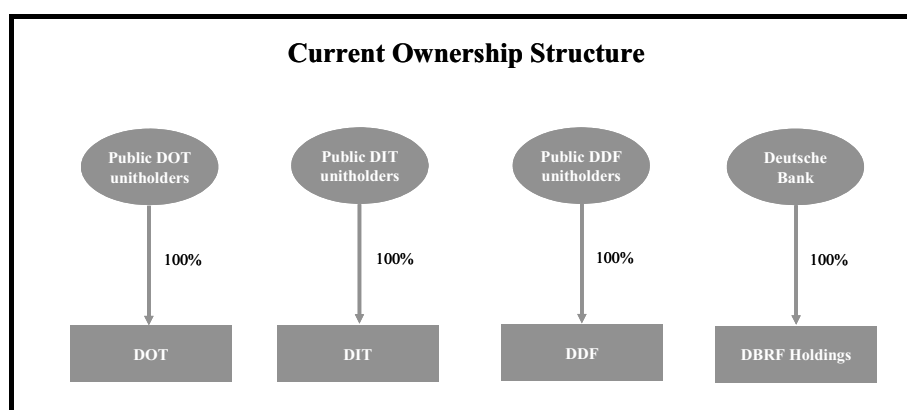
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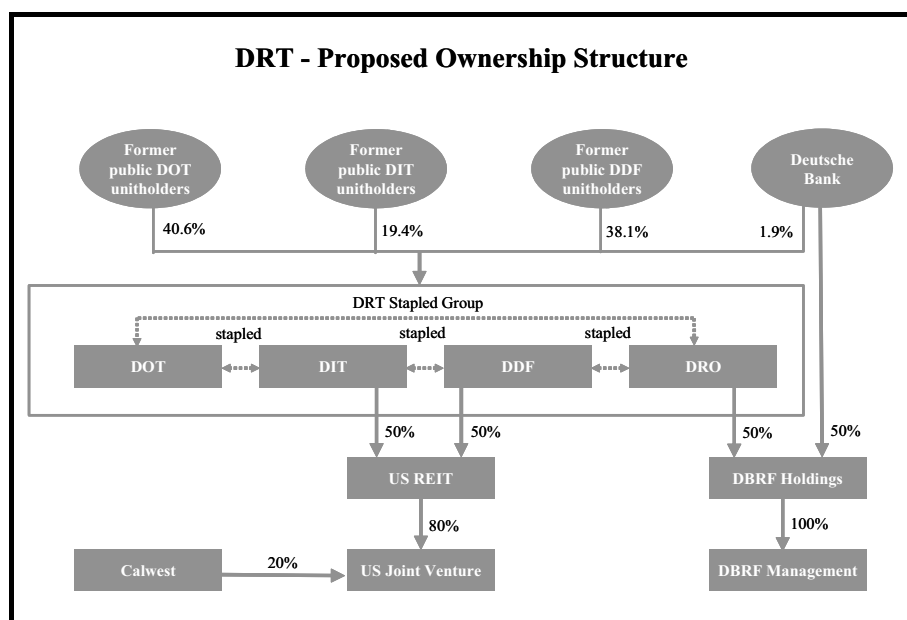


The elements of the Proposal are interdependent and subject to the approval of unitholders. Unitholders of DOT, DIT and DDF will be asked to approve five resolutions (three ordinary resolutions and two special resolutions). Each of the resolutions to be voted on are interdependent. Failure to approve any of the resolutions at any of the unitholder meetings will result in the Proposal not proceeding.

The current ownership structure of DOT, DIT, DDF and DBRF Holdings is illustrated below:



If the Proposal is implemented, the ownership structure of DRT will be¹:



The following transactions were also announced on 4 August 2004 and will occur irrespective of the results of the unitholder vote on the Proposal:

¹ Ownership percentages in DRT are estimates only as the units issued to Deutsche Bank in consideration for the 50% interest in DBRF Holdings will be priced on the ten day volume weighted average price of DRT stapled securities post implementation of the Proposal. The estimate of ownership percentages is based on a theoretical security price of \$1.30 calculated by reference to DRT's forecast distribution of 10.5 cents per unit for the year ending 30 June 2005 and a yield of 8%.

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- DDF will acquire 50% interests in Westfield Mount Druitt and Westfield Hurstville from SAS Trustee Corporation ("STC"). Westfield Group ("Westfield") owns the remaining 50% of these shopping centres;
- DDF will enter into a series of retail property transactions with Westfield involving the acquisition of a 50% interest in Westfield North Lakes and the disposal of 50% interests in its existing retail properties, Whitford City, West Lakes and Plenty Valley;
- DOT will acquire (on completion) 100% of the development known as NRM Tower, Auckland from Manson Developments Limited; and
- one of the DRT entities will acquire 100% of 16-20 Barrack Street, Sydney from STC.

If the Proposal is implemented, DOT unitholders will hold approximately 932 stapled securities in DRT for every 1,000 units they hold on the stapling record date, DIT unitholders will hold approximately 1,511 stapled securities for every 1,000 units they hold on the stapling record date and DDF unitholders will hold 1,000 stapled securities for every 1,000 units they hold on the stapling record date. These terms result in DOT unitholders having a 41.4% interest in the stapled entity, DIT unitholders having a 19.8% interest and DDF unitholders having a 38.8% interest (prior to the issue of stapled securities to Deutsche Bank in consideration for the 50% interest in DBRF Holdings).

Other features of the Proposal include the following:

- DRT has entered into put and call options in relation to Deutsche Bank's 50% interest in DBRF Holdings. The put option is exercisable by Deutsche Bank if a person acquires a relevant interest in 30% or more of DRT, Deutsche Australia ceases to be related to Deutsche Bank, Deutsche Bank disposes all or substantially all of its United States real estate funds management business or its global real estate funds management business or Deutsche Bank is required by law or a regulator to dispose of its shares. The call option is exercisable by DRT if Deutsche Australia ceases to be related to Deutsche Bank, Deutsche Bank disposes of all or substantially all of its United States real estate funds management business or its global real estate funds management business, a winding up order or resolution is passed or a receiver or administrator is appointed. The exercise price in all cases is 1.28% of funds under management plus 50% of net tangible assets at the time of exercise;
- RREEF America LLC ("RREEF America"), a wholly owned subsidiary of Deutsche Bank, will be the investment manager for the US Joint Venture. RREEF America functions as a division of Deutsche Bank's global DB Real Estate business and is presently the real estate adviser to, and a shareholder in, Calwest;
- the standardisation of the constitutions of each trust to facilitate the management and administration of DRT. This includes amendments to the management fee structure to eliminate performance fees and to adopt a flat fee of up to 1% of gross assets (although DBRF Management has stated that it intends to charge a management fee of 0.45% of gross assets except in relation to its 80% interest in the US Joint Venture on which it will charge 0.35%); and
- unitholders will be able to elect to sell some or all of their existing units into a Cash Sale and Exchange Facility in return for either cash (the "cash alternative") or new stapled securities (the "exchange by sale alternative"). The price at which stapled securities are sold under the Cash Sale Facility is not guaranteed and may not be the highest price at which all stapled securities available for sale under the Cash Sale Facility could be sold.

DeAM and DBRE have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in Grant Samuel's opinion:

- the Proposal is in the best interests of DOT unitholders as a whole;
- the Proposal is in the best interests of DIT unitholders as a whole; and
- the Proposal is in the best interests of DDF unitholders as a whole,

and to state reasons for those opinions. Grant Samuel has also been asked to state its opinion as to whether or not the potential increase in Deutsche Bank's relevant interest to a maximum of 35% is fair and reasonable to the unitholders of DOT, DIT and DDF not associated with Deutsche Bank (the "non associated unitholders").

A copy of the report is to be despatched with the Explanatory Memorandum and Product Disclosure

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Statement ("Explanatory Memorandum") issued by DeAM, DBRE and DBRF Management to unitholders of DOT, DIT and DDF. This letter contains a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached to the Explanatory Memorandum as Attachment 1 and should be read in conjunction with this summary.

2 Summary of Opinion

In Grant Samuel's opinion, the Proposal is in the best interests of the unitholders as a whole in DOT, DIT and DDF in the absence of a superior proposal.

In a rapidly consolidating listed property trust sector, DOT, DIT and DDF face significant challenges to secure superior returns for unitholders. The expected growth in distributions for each of the trusts over the short to medium term in the absence of the Proposal is relatively modest. The cost of capital for each of the trusts is high in comparison to yields at which properties are changing hands, making it difficult for any of the trusts to grow by acquisition without increasing leverage, diluting equity returns or reducing asset quality. Although each trust is substantial in its own right with some outstanding property assets, even property trusts with market capitalisations of more than \$1 billion are now in danger of being considered sub-scale. In due course, liquidity could be impaired. A significant proportion of (but not all) investors also currently appear to place little value on sector specialisation. In addition, there are structural changes impacting on the industry. In particular, the external management model is under pressure.

The Proposal is designed to address these issues. It repositions the investment proposition for unitholders and seeks to deliver greater opportunities for growth. The merging of DOT, DIT and DDF and the acquisition of an 80% interest in the US Industrial Portfolio delivers scale without the need for a capital raising. The stapled group has pro forma total assets of approximately \$6.5 billion and pro forma market capitalisation in excess of \$3 billion, making it one of the largest listed property trusts in Australia. The enlarged single pool of equity should enhance stockmarket liquidity and the size, diversity and offshore growth potential may result in increased investor interest. The partial internalisation of management better aligns the interests of unitholders and management and creates a partnership with Deutsche Bank which can be leveraged for growth.

The first issue for unitholders is whether the proportions of the stapled entity received by each group of unitholders (i.e. the stapling ratios) are equitable compared to contributions of market value and underlying value. Based on the closing prices on the ASX on 20 July 2004 (the day prior to significant market speculation), the stapling ratios are in line with market value. Over a longer time frame (up to three months), the relationships are also reasonably consistent with the stapling ratios but slightly favour DDF. The position as regards underlying value reflects a benefit to DIT and DDF unitholders and a discount for DOT unitholders (although DOT receives the greatest uplift in distribution). However, this largely reflects the fact that DOT has consistently traded at a discount to net asset backing. Unitholders in each entity will have conflicting views as to the fairness of the stapling ratios. Inevitably, they will believe they should receive a greater share. It is rarely possible to fully satisfy each party to a merger. However, in Grant Samuel's view the stapling ratios represent a fair balance between the three trusts taking into account the value contributions across the various measures and the other benefits and disadvantages to each group of unitholders.

The acquisition of an 80% interest in the US Industrial Portfolio is a substantial transaction delivering a quality portfolio and offering scale, geographic diversification and opportunities for growth from exposure to the recovering United States industrial market and various redevelopment opportunities. The combination of an initial yield of 7.7% and US\$ denominated debt at 5.48% provides a leveraged return on equity invested in the US Joint Venture of approximately 10% per annum. Moreover, it enhances the growth profile of the trusts, underpinning the higher levels of distribution growth in 2004/05 and 2005/06 relative to the status quo. The acquisition of the 80% interest in the US Industrial Portfolio plays an important role in the Proposal. A stapling of the three trusts on its own would not be anywhere near as appealing.

There are some other anticipated advantages and benefits that should arise for unitholders in each of the three entities. Earnings and distributions per unit increase. On a pro forma basis DOT

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unitholders will experience increases of over 10% although the increases for DIT unitholders are minimal in 2004/05. All unitholders will enjoy increased geographic and sectoral diversification.

The partial internalisation of management is unique. Nevertheless, it may prove to be an effective alignment of interests and strategic partnership for the benefit of unitholders. Deutsche Bank will be incentivised to help grow DBRF Holdings on a profitable basis. Deutsche Bank, through DB Real Estate, is one of the world's largest real estate businesses and its credibility played a critical role in securing the US Industrial Portfolio. An ongoing partnership with Deutsche Bank and DB Real Estate may bring new opportunities to DRT. The price to be paid for the 50% interest in DBRF Holdings is a full price (particularly in a context where the responsible entity can be removed by unitholders for no compensation). However, the purchase price is, on available measures, consistent with or less than prices effectively paid in recent transactions and should be earnings accretive for DRT unitholders.

There are a number of costs, disadvantages and risks arising from the Proposal. While DDF is a diversified fund, DIT and DOT are focussed on industrial and office properties respectively (and until recently all were focussed solely in Australia). The stapled group will have a diversified asset base of industrial (38%), office (47%), retail (12%) and car park (3%) properties spread between Australia (79%), the United States (19%) and New Zealand (2%). This change in investment characteristics may not suit all unitholders, particularly those for whom the sector specialisation is important. Investors will lose their current flexibility to choose the type and mix of properties that best suits their own preferences.

As the acquisition of the US Industrial Portfolio is fully debt funded, gearing and financial risk will increase (gearing increases to 45.9%) and there will be some currency exposure (albeit largely hedged). This increase in risk profile may concern some unitholders. The financial flexibility of DRT is reduced and future acquisitions may require equity raisings or asset sales.

The Proposal also involves elements that have the effect of entrenching DRT's relationship with Deutsche Bank. These elements occur at various levels of the DRT operating structure including the US Joint Venture and the third party property management mandates. This aspect detracts from the Proposal and may serve as an impediment to unitholders receiving a takeover offer in future. This issue is not inconsequential but the primary consideration of investors should be the merits of the underlying investment proposition (particularly in the case of a predominantly passive property investment vehicle) and not on the hypothetical possibility of a takeover offer. In any event, the opportunity for third parties to make a superior offer for any of the trusts will continue to be available until the unitholder meetings. The partial internalisation also has some drawbacks. A key benefit of internalisation is returning ultimate control over management to unitholders. However, despite paying for a 50% interest, unitholders do not have unfettered control of their destiny and there is disincentive to replace the responsible entity.

Other disadvantages include a reduction in net tangible asset backing for DOT unitholders, the change to six monthly distributions rather than quarterly for DDF unitholders and potentially adverse tax consequences, particularly for those investors in DDF who have "pre CGT" units.

The fundamental test for investors is whether the improved growth prospects, the enhanced income, the benefits of scale, the better alignment of interests with Deutsche Bank and other potential benefits outweigh the disadvantages. Grant Samuel's judgement is that, on balance, they do and investors in each of the entities should be better off if the Proposal is implemented than if it is not. In this context, the market prices of each of the trusts have increased, albeit marginally, from prices before the speculation about the Proposal began.

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3 Key Conclusions

- **The assessment of the Proposal is based on the equity of the proportions in which DRT will be held by each group of unitholders, evaluation of the other interdependent elements of the Proposal and evaluation of the overall Proposal's advantages and disadvantages.**

The proposed transaction is properly regarded as a merger of DOT, DIT and DDF with a number of acquisitions undertaken to reposition the merged entity. Grant Samuel's assessment of the Proposal has involved consideration of the following:

- whether the proportion of the stapled group that will be held by each group of unitholders is equitable in comparison with their contributions to the value of DRT. The value contributed by each group of unitholders to DRT has been assessed in terms of both market value and underlying value;
- the price to be paid for the 80% interest in the US Industrial Portfolio and the implications of the joint venture arrangements;
- the price paid for the 50% interest in DBRF Holdings and the implications of the partial internalisation of management;
- the basis for the price to be paid for the investment in DWPF;
- the financial impact of the Proposal on each group of unitholders in terms of earnings, distributions, net tangible asset backing and financial gearing;
- analysis of the advantages and disadvantages of the Proposal; and
- whether the Proposal is likely to preclude alternative transactions that would be more advantageous for each group of unitholders.

The overall impact of the Proposal on each group of unitholders should be reflected in the market value of the equity they hold. The market value of that equity would be expected to be higher after the Proposal is implemented if the Proposal is in the best interests of each group of unitholders.

- **DOT unitholders, DIT unitholders and DDF unitholders each receive an equitable share of the stapled group in terms of market value.**

The value contributed by each group of unitholders to DRT has been assessed in terms of both market value and underlying value. Grant Samuel believes that more emphasis should be given to market value than underlying value principally because:

- market value is an objective measure;
- units in each of the trusts are well traded on the ASX and followed by analysts. Their prices should represent assessments by a well informed market; and
- a unitholder in one trust can gain an exposure to either or both of the other two trusts by buying units in the relevant trust through the sharemarket at market prices.

Based on closing prices on the ASX on 20 July 2004, there is a slight discount for DOT unitholders and a slight premium for DIT unitholders but these are not material:

DRT – Implied Prices				
Entity	Closing Price on 20 July 2004 (\$)	Stapling Ratio	Implied Value based on Stapling Ratio (\$)	Implied Premium (%)
DOT	1.18	0.93	1.17	-0.8%
DIT	1.89	1.51	1.90	+0.5%
DDF	1.26	1.00	1.26	-

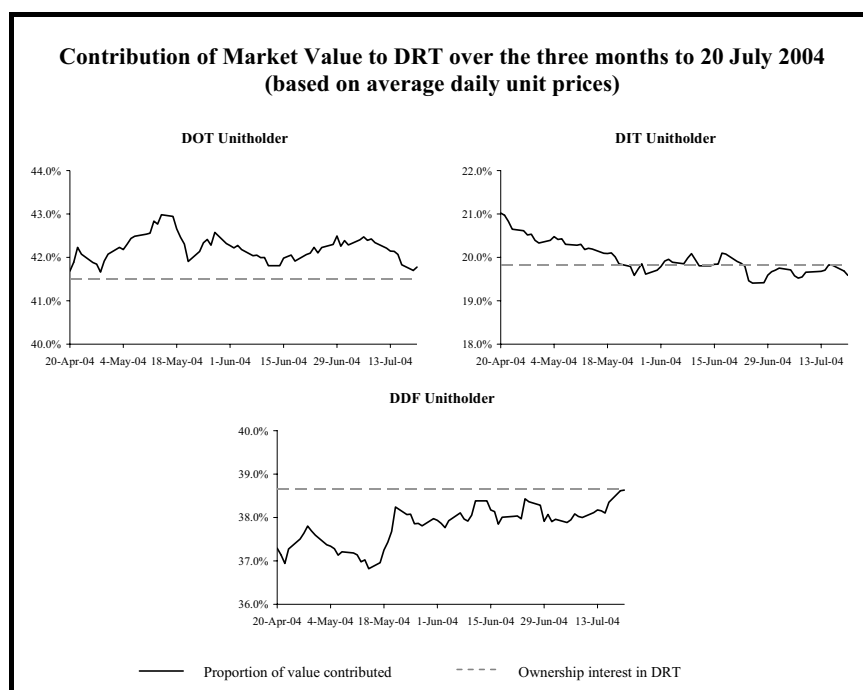
Source: IRESS and Grant Samuel analysis

If prices over a longer period of, say, up to three months, are considered the stapling ratio is broadly in line with market prices but there has been some shift over time. This can be seen in the following graphs:

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DIT's share of the stapled group is strictly in line with its trading price over the weeks prior to 20 July 2004. Arguably, DDF unitholders are advantaged relative to market prices over most of the last three months and DOT unitholders are disadvantaged but the differentials are minor in the broader context and need to be judged against other issues such as comparative distribution uplifts (DOT's distribution uplift is much greater than that of DDF).

- **The stapling ratios differ slightly from the relative contributions of underlying value but still represent a fair balance of competing interests.**

Grant Samuel has estimated the underlying value contributed by each entity to the stapled group. The analysis for DOT, DIT and DDF is based on net asset value. Net asset value has been calculated based on the independent valuations of the individual properties (as included in the 30 June 2004 accounts) together with adjustments for the value of interest rate hedge books and retained earnings to 30 September 2004. Net asset value has limitations as a measure of full value but still represents a useful benchmark.

The results of Grant Samuel's analysis are summarised in the following table:

DRT – Underlying Value Contributions			
Entity	Estimated Value Contribution (\$ millions)	Contribution to Stapled Entity (%)	Ownership of Stapled Entity (%)
DOT	1,426.9	44.0	41.4
DIT	565.5	17.4	19.8
DDF	1,253.2	38.6	38.8
Stapled entity	3,245.6	100.0	100.0

The analysis suggests that DIT unitholders are advantaged, DDF unitholders are advantaged (albeit marginally) and DOT unitholders disadvantaged. The differentials reflect the reality of the sharemarket trading in the various trusts and the broader listed property trust sector. DOT has

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traded at a discount to its net asset value in recent years due to exposure to the Sydney office property market and concerns over vacancy levels and its lease expiry profile. Other listed office trusts have also tended to trade at around or below net asset value. In contrast, DIT along with other listed industrial trusts has generally traded at a premium to net asset value. For these reasons, more weight should be placed on the relative market value contributions as a measure of value contribution.

■ **Investor interest in DRT should increase.**

Trading in units in DOT, DIT and DDF is relatively liquid. However, the Proposal will combine all of the trading in DOT, DIT and DDF into a much larger single pool (in excess of \$3 billion based on aggregate market capitalisation) which should enhance the overall liquidity of trading in DRT stapled securities.

It is expected that the interests of STC and AXA Asia Pacific Holdings Limited ("AXA") will continue to be excluded from free float for the purposes of calculation of index weighting for DRT. Consequently, it is unlikely that DRT's weighting in the S&P/ASX 200 Property Trust Index will increase significantly relative to the aggregate of the individual trusts. There is unlikely to be a significant change in trading as a consequence of index weighting.

Nevertheless, there should be a more general increase in investor interest which may underpin the market value of DRT's stapled securities. DRT will be one of the largest listed property trusts on the ASX (by market capitalisation) with a well diversified asset base and some potential upside from its United States asset base. As such, it should attract greater attention from listed property investors who may have been less inclined to invest separately in DOT, DIT and DDF. At the same time, there will be a loss of interest by those investors wanting sector specific exposure.

■ **The acquisition of an 80% interest in the US Industrial Portfolio provides an attractive entry into the United States real estate market.**

The US Industrial Portfolio represents a unique investment opportunity. DRT will acquire a majority interest in a large, well diversified portfolio of industrial properties in the United States and enter into a joint venture with the largest public pension fund in the United States. A transaction offering a portfolio of this size would be difficult to replicate. The investment opportunity arose as a consequence of a redirection of investment strategy by CalPERS. However, CalPERS (via Calwest) is not exiting the portfolio entirely and will remain as a 20% partner.

The portfolio was acquired through an arm's length, transparent process involving a formal tender process run by an independent adviser. The final bid range was narrow and the underbidder (which remains interested in the investment opportunity) is a party with which Calwest has an existing business relationship.

The agreed purchase price is below the recent independent valuation prepared by CB Richard Ellis ("CBRE") for DB Real Estate Australia. CBRE valued the portfolio at US\$1,032.4 million (including income support and capital expenditure commitments) compared to the purchase price (for 100%) of US\$1,014.4 million. Further, recent evidence in the United States indicates that the industrial property market has strengthened significantly since March 2004.

The acquisition provides:

- the majority of the uplift in earnings and distributions for DRT securityholders and enhances the income growth prospects for each of the trusts relative to the status quo;
- a substantial foothold in the United States property market providing DRT substantial credibility for future growth by acquisition;
- access to growth opportunities in the existing portfolio from development of vacant land and redevelopment of certain properties;
- exposure to recovering markets; and

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- a strategic relationship with CalPERS and a strong client relationship with RREEF America (the US Joint Venture will be one of RREEF America's largest clients).

It is doubtful that this acquisition could have been made by DIT or DDF without the benefits of scale derived from the proposed stapling of DOT, DIT and DDF, particularly in relation to gearing capacity. On the other hand:

- DRT does not control the US Joint Venture although it is the 80% joint venture party. Other than decisions to sell properties or interests in properties and to change accounting firms, all decisions must be unanimous between DRT and Calwest. While this is not entirely satisfactory, it is the price paid for entering into a joint venture with a public pension plan and an investor the size of CalPERS (and the potential benefits of that relationship);
- Calwest is entitled to a deferred consideration amount if the internal rate of return for the US Joint Venture exceeds 10% per annum (effectively capped at 11% per annum). While this potentially increases the purchase price, if an amount is paid to Calwest under this arrangement, it means that DRT (and therefore unitholders) will have benefited from the portfolio's performance in excess of forecast. In any event, the amount payable to Calwest is capped at US\$20 million in net present value terms;
- the uplift in earnings and distributions as a consequence of the acquisition of the 80% interest in the US Industrial Portfolio is derived from an increase in leverage and the gearing arbitrage. The combination of the US Industrial Portfolio's initial yield of 7.7% and debt at 5.48% (in US\$) provides a leveraged return on equity of approximately 10% for the US Joint Venture. In addition, DRT will fund its equity contribution to the US Joint Venture from debt (in US\$); and
- Calwest has the right to acquire DRT's interest in the US Joint Venture if at any time none of DeAM, DBRE or DBRF Management is the responsible entity of DIT or DDF or a person has a relevant interest in 50% or more of DRT. However, if this right is exercised, Calwest will pay DRT an amount equal to net realisable value (based on then market values) of the US Joint Venture less transaction costs of 0.75% and any deferred consideration due to Calwest.

■ **All unitholders will benefit from higher distributions.**

Unitholders in each of the trusts will benefit from increased earnings and distributions per unit in comparison to the situation in the absence of the Proposal. The impact of the Proposal on forecast distributions per unit for each trust is shown below:

DRT – Pro Forma Impact on Forecast Distributions per Unit				
Period	No Stapling (cents)	Pro Forma Assuming Proposal is Implemented		
		Cents per pre stapling unit	Change	
			cents	%
Year ending 30 June 2005				
DOT	8.8	9.8	+1.0	+11.4%
DIT	15.8	15.9	+0.1	+0.6%
DDF	9.8	10.5	+0.7	+7.1%
Year ending 30 June 2006				
DOT	9.0	10.2	+1.2	+13.3%
DIT	15.8	16.6	+0.8	+5.1%
DDF	10.0	11.0	+1.0	+10.0%

Note: Assumes that the Proposal is implemented on 30 September 2004.

The relative increase in distributions per unit is not equal with DOT unitholders benefiting from the largest increase. DIT unitholders receive a minimal increase in 2004/05 but the uplift in the following year is more substantial.

However, the increase in distributions per unit primarily results from the acquisition (and gearing) of the US Industrial Portfolio rather than as a result of gains from stapling the three trusts (cost savings are not material). The composition of the change in forecast distributions for the two years ending 30 June 2006 is set out below:

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DRT - Composition of Forecast Distributions					
Component	Contribution to Distribution				
	30 June 2004 (\$ million)	30 June 2005 (\$ million)	Increase (%)	30 June 2006 (\$ million)	Increase (%)
Existing level of distributions (Stand Alone)	237.9	274.4	+4.0%	257.1	+3.9%
Earnings from US REIT	-	22.4		26.7	
Earnings from 50% interest in DBRF Holdings	-	5.4		7.9	
Earnings from investment in DWPF	-	1.0		1.8	
Other (abnormals, reserve transfers, interest savings from distribution reinvestment plan)	9.2	5.9		25.6	
Total distribution	247.1	282.1	+14.2%	319.1	+13.1%

Note: Assumes that the Proposal is implemented on 30 September 2004.

The distributions currently paid by DOT, DIT and DDF carry tax deferred and taxable components. If the Proposal is implemented, unitholders in DRT will receive distributions that will be split between a franked distribution amount, a tax deferred distribution amount, a foreign tax credit amount and a taxable distribution amount. The post tax position of individual unitholders will vary depending on their marginal tax rate and their ability to utilise the tax deferred, franked and foreign tax credit components of any distribution.

- **All unitholders should enjoy higher growth prospects albeit with a change in the nature of their investment.**

The growth rate in distributions for DRT over the short to medium term is higher under the Proposal than it would have been for each of the trusts under the status quo. This is expected to be largely provided through the acquisition of the US Industrial Portfolio. Solid growth in operating income is anticipated over the next few years as this sector recovers (which will be magnified by the leverage in the ownership structure). The acquisition provides a platform for continued growth through redevelopment and acquisition opportunities. The Proposal also provides the capacity for higher growth through:

- investment flexibility;
- leveraging strategic relationships with Deutsche Bank, RREEF America, CalPERs and Westfield;
- new (non capital based) business activities; and
- improved access to capital.

However, the higher growth prospects come with greater risk and a substantial change in the nature of the investment for unitholders. DRT's portfolio will be diversified by property type with 38% industrial assets, 47% office assets, 12% retail assets and 3% car parks. It will also be geographically diversified with 19% of the portfolio in the United States giving rise to exposure to currency movements (although hedging will offset this risk substantially). DRT will also have a 50% interest in a real estate asset and property management business.

There may be unitholders who do not welcome such diversification or change in their risk/return profile. In particular:

- DOT and DIT unitholders will no longer enjoy a sector specific focus; and
- DDF unitholders will be faced with a substantial increase in the scale and nature of the diversified portfolio with an emphasis on offshore growth.

Sector allocation and geographic mix decision will now be taken by DRT rather than by unitholders resulting in a loss of flexibility for investors. It is arguable that it is more efficient for investors to undertake diversification themselves through the stockmarket.

Overall, the Proposal does not change the investment proposition from that of predominantly being a property owner.

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■ Gearing and financial risk increase.

The acquisition of the US Industrial Portfolio is effectively fully debt funded. As a consequence there is an increase in gearing for all three trusts:

DRT – Pro Forma Impact on Gearing at 30 June 2004				
Parameter	Before Proposed Stapling	Pro Forma After Proposal		
		Amount	Change	
			Amount	Proportion
Gearing (Net borrowings/(Total assets - cash))				
DOT	37.5%	45.9%	+8.4%	+22.4%
DIT	36.0%	45.9%	+9.9%	+27.5%
DDF	27.7%	45.9%	+18.2%	+65.7%

It is proposed that gearing be reduced to approximately 43% by 30 June 2006 (with a long term target of 40-45%) by way of asset sales and a fully underwritten distribution reinvestment plan. Higher gearing increases exposure to interest rates though this is to be mitigated by risk management and hedging programmes. With gearing at this level there is an impact on financial flexibility. Any significant acquisitions may have to be funded through either equity raisings or asset sales.

Financial risk also increases as a consequence of the exposure to interest rate and currency movements.

■ The proposed partial internalisation of management is unique.

Under the terms of the Proposal, DRT is to acquire from Deutsche Bank a 50% interest in the ordinary shares and shareholder loan notes in DBRF Holdings for \$70 million. The rationale for the proposed partially internalised management structure for DRT is that it better aligns the interests of securityholders and management while, at the same time, providing an ongoing strategic partnership between DRT and Deutsche Bank. However, the proposed partial internalisation of DRT's management structure is unique in the Australian market. To date, the management of Australian listed property trusts has typically been structured as either fully external or fully internal.

The partially internalised management structure benefits DRT in that:

- it ensures a continued relationship with Deutsche Bank generally and access to the global DB Real Estate platform specifically. DB Real Estate (including the RREEF America business) is one of the largest real estate businesses worldwide. This relationship represents a significant potential source of growth opportunities for DRT;
- DBRF Holdings gains exclusivity to operate in Australia and New Zealand using the Deutsche Bank and RREEF America trademarks;
- the relationship with Deutsche Bank will give DRT credibility in dealing with vendors of major assets, particularly in overseas markets. It was clearly a critical factor in being able to secure the US Industrial Portfolio (particularly as it involved an ongoing partnership with CalPERS); and
- it provides access to a new income stream (approximately 40% of DBRF Holdings' revenue relates to unlisted property trusts and direct mandates) and to economies of scale from the enlarged integrated real estate business.

However:

- the partial internalisation of DRT's management offers only some of the benefits of a fully internalised or fully externalised management model and achieves neither model's benefits fully. The perceived conflicts of interest in the external management model is addressed in the proposed structure in that it aligns the economic interests of Deutsche Bank and DRT. However, even with the majority of directors on the DBRF Holdings board to be independent of Deutsche Bank and subject to unitholder approval, unitholders do not have the unfettered control of DRT that they would have in a fully internalised arrangement;

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- the range of non-core business activities that DBRF Holdings can undertake within Australia and New Zealand is restricted under its operating arrangements as is the range of activities that DBRF Holdings can undertake outside of Australia and New Zealand;
- the relationship with DB Real Estate does not mean that DRT will benefit from priority access to acquisition opportunities over and above other DB Real Estate clients. DRT could have a strong relationship with DB Real Estate without Deutsche Bank owning 50% of DBRF Holdings; and
- partial internalisation of management effectively entrenches DRT's relationship with Deutsche Bank. Unitholders are unlikely to remove DBRF Management as responsible entity, even for poor performance. The implications for DRT unitholders of removal of DBRF Management are significant (e.g. it could trigger Calwest's call right over DRT's 80% interest in the US Joint Venture and/or impact on the third party mandates).

■ **The price to be paid for the responsible entity is a full price but, on balance, is not unreasonable.**

Unitholders of DOT, DIT and DDF are being asked to pay Deutsche Bank for a 50% interest in the company which holds the management rights for their assets as well as third party mandates. It is arguable whether it is necessary to pay for the management rights to the trusts. Historically, payments have been made for listed property trust managers although unitholders have the legal right to remove the responsible entity at any time without compensation. In recent years, as consolidation in the listed property trust sector has accelerated and the external management model has fallen out of favour, so has the practice of paying for those rights. There have been circumstances in recent times where no compensation was paid to responsible entities which were removed following a takeover or where the responsible entity was threatened with removal by unitholders with no compensation. This is less apparent when the responsible entity brings special expertise (e.g. in retail property management). However, it is a fact that during the last five years payments have been made for management rights both upon internalisation of management rights and in takeovers of listed property trusts. In addition, in this case the transaction also involves third party management rights for which some payment is warranted in any circumstances.

The price to be paid by DRT for the 50% interest in DBRF Holdings is a full price but, on balance, is not unreasonable. The following factors were taken into account in forming this view:

- the multiple of forecast 2005 EBITA implied by the purchase price of 7.7 times is within the range of EBITA multiples implied by recent transactions in the listed property trust sector, although it is at the high end and the EBITA forecast is for a transitional period and includes fees from the US Industrial Portfolio;
- the acquisition is being undertaken at a forecast yield in the range of 12.8-14.3% (based on the EBITA multiples implied for 2005 and 2006) which is attractive in comparison to the yields at which DOT, DIT and DDF have traded in recent times (i.e. 7.8%, 8.6% and 7.6% respectively as at 30 June 2004). Therefore, the acquisition should be earnings and distribution accretive to unitholders;
- the implied percentage of funds under management of 1.28% (or 1.45% if funds under management relating to the US Joint Venture is excluded) is lower than recent transaction evidence in the listed property trust sector. In particular, it compares favourably to the prices (when measured as a percentage of funds under management) paid in respect of the responsible entities of comparable trusts such as AMP Office Trust (2.0%), AMP Industrial Trust (3.2%) and AMP Diversified Property Trust (2.1%). In this context, DBRF Management provides both real estate asset management and property management services to its clients which justifies a higher percentage of funds under management;
- DBRF Management enjoys economies of scale through its third party mandate business;
- the considerable uncertainty associated with the revenue of DBRF Holdings. None of its third party management mandates (which collectively represent approximately 40% of revenue) is absolutely secure. All are capable of being terminated (some more easily than others) with varying periods of notice. In particular, the STC mandate (14% of the ongoing management portfolio) has no fixed term and can be terminated by STC at any time. However, the STC

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mandate has existed since June 1997 and the relationship appears strong. These factors would imply that a relatively low multiple is appropriate for this component of the earnings;

- the forecast earnings of DBRF Holdings are subject to other uncertainties (in addition to the uncertainty of the security of mandates). The operating and cost structure of DBRF Holdings will be different to that of the business when it was wholly owned by Deutsche Bank. Accordingly, the forecast cost base reflects judgements based only partly on the historical evidence;
- DRT is acquiring only a 50% interest (albeit with the potential to move to 100% in certain circumstances on the same price basis). It will not have unfettered control of DBRF Holdings;
- DBRF Management does not provide a unique business model or set of skills. A number of other parties could provide the required services; and
- the purchase price of the 50% interest is not significant in the scheme of the overall group (approximately 2% of pro forma market capitalisation).

DRT has entered into put and call options in relation to Deutsche Bank's 50% in DBRF Holdings. The put option may be helpful to potential bidders in so far as it provides a mechanism which should result in them being able to acquire 100% of DBRF Holdings (which would be critical to any merging of businesses) as Deutsche Bank is likely to want to exercise if control changes. However, this is not guaranteed. The formula (1.28% of funds under management plus 50% of net tangible assets) is the same as the acquisition of the initial 50% and has the advantage of simplicity. There is less scope for manipulation than an earnings based formula. However, it does lock in a formula which may not take account of the relative profitability of different lines of business (or any new business) or changes in the profitability of existing business. This could be advantageous or disadvantageous to unitholders depending on the circumstances.

■ **The investment in DWPF is on fair terms.**

The rationale for DRT's investment in DWPF is:

- increased diversification in the investment portfolio; and
- alignment of the interests of DRT securityholders (who will own 50% of DBRF Management which will be delegated to undertake DBRE's role as responsible entity) with the interests of DWPF unitholders.

However, it should be recognised that the investment is not sufficiently large to materially affect DRT's portfolio diversification.

The terms of DWPF's capital raising have not yet been finalised. If it is undertaken in accordance with DWPF's constitution, units will be issued at a price equal to net asset value plus 3%. If the pricing for the capital raising is different to that established by the DWPF constitution, DRT will receive units on the same basis as other investors.

■ **Elements of the Proposal have the effect of entrenching DRT's relationship with Deutsche Bank.**

There are elements of the Proposal which have the effect of entrenching DRT's relationship with Deutsche Bank. These elements are at various levels of DRT's operating structure. Some provisions may be triggered upon certain change of control events occurring in relation to DRT and may serve as an impediment to potential acquirers:

- Calwest has the right to acquire DRT's interest in the US Joint Venture if, at any time, none of DeAM, DBRE or DBRF Management is the responsible entity of DIT or DDF or a person acquires a 50% relevant interest in DIT or DDF. This right was a specific requirement of Calwest. Effectively, Calwest has reserved the right to ensure that its Joint Venture partner is an acceptable party. Such rights are a typical feature in the United States property market. If the right is exercised then DRT's interest in the US Joint Venture will be purchased for market value at the time so there should be no economic loss to DRT securityholders. However, this may still be perceived as a negative by potential bidders if they believe that the US Industrial

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Portfolio was an attractive long term investment opportunity (as it could not be easily replicated);

- Deutsche Bank will have a put option over its 50% interest in DBRF Holdings which is triggered by a person acquiring more than a 30% relevant interest in DRT. Prima facie, the put option could represent a disincentive to a potential bidder for DRT but, on the other hand, it represents a mechanism to facilitate DRT's acquisition of 100% of DBRF Holdings as it provides a clean exit for Deutsche Bank in circumstances where it is unlikely to want to remain involved with DRT. Assuming the pricing mechanism is reasonable, the arrangements may not cause an issue for bidders. Nevertheless, there is no certainty Deutsche Bank would exercise its put option and there is no call option in favour of DRT if the 30% threshold is reached. The price mechanism also creates risks for bidders;
- the STC Mandate is for no fixed term and is able to be terminated by STC at any time. The continuation of this mandate (for which value has been paid as part of the \$70 million purchase price) is arguably dependent on Deutsche Bank's continued involvement with DRT due to the comfort STC (and its master custodian) gain from having a major global bank standing behind DRT as well as the length and success of the relationship over the last 7-8 years. The prospect of termination of this mandate and the consequent loss of value may impact on the price that a bidder is prepared to offer for DRT;
- DBRF Management will only operate as responsible entity for DWPF under a delegation from Deutsche Bank and this delegation could be withdrawn at any time; and
- AXA, as the major unitholder in DWPF, is obliged to follow Deutsche Bank's instructions upon a vote in relation to removal of the responsible entity.

In a general sense, the 50/50 ownership of DBRF Holdings also has the effect of entrenching Deutsche Bank. Given that DRT securityholders own 50% of DBRF Management, they are unlikely to wish to replace the responsible entity. This may provide disincentive for DRT securityholders to apply pressure to Deutsche Bank although it should be recognised that Deutsche Bank's only role is as a shareholder in DBRF Holdings and DRT securityholders will theoretically control DBRF Holdings and therefore the management of DRT through the appointment of the majority of the board.

In addition, co-owner pre-emptive rights have been entered into by DDF with Westfield in relation to the regional retail property portfolio. However, these rights are not related to the Proposal itself and will exist in relation to DDF even if the Proposal does not proceed.

These issues do detract from the Proposal but, in Grant Samuel's opinion, do not outweigh the advantages of the Proposal as a whole. The primary consideration for investors should be the merits of the investment proposition (particularly in the case of a property investment vehicle) and not on the hypothetical possibility of a takeover offer. In any event, the opportunity for third parties to make a superior offer for any of the trusts has been present to date and will be available until the unitholder meetings.

■ **There is an opportunity for others to put forward superior alternatives.**

There are a large number of alternatives that are theoretically available to unitholders instead of this Proposal. The more obvious ones include:

- the status quo;
- leave all three trusts as independent but internalise the management;
- staple all three trusts but not acquire the US Industrial Portfolio and either:
 - retain external management; or
 - internalise management (fully or partially);
- staple all three trusts, acquire the US Industrial Portfolio and either:
 - retain external management; or
 - fully internalise management; and
- implement the Proposal but exclude the third party mandates.

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In considering these possibilities unitholders should recognise that:

- the US Industrial Portfolio is only available under the Proposal as no other transaction could be completed within the timeframe and realistically cannot be achieved without the stapling. The acquisition of the US Industrial Portfolio is an important component in repositioning the trusts. Stapling of the three trusts on its own would not be anywhere near as appealing;
- not stapling runs the risk of future market irrelevance in a rapidly consolidating sector;
- internalising the management of each trust individually would be extremely inefficient from an operating cost point of view; and
- the third party mandates provide important economies of scale.

It is difficult to determine whether there is an alternative that is superior to the Proposal. It is conceivable that a third party may wish to make a takeover offer for one (or more) of the trusts at a substantial premium to the market price. If this arises it will need to be treated on its merits. The key points for unitholders are:

- in Grant Samuel's opinion, unitholders are likely to be better off if the Proposal is implemented than if it is not (i.e. the status quo); and
- there has been ample opportunity for other parties to come forward and that opportunity will remain until the unitholder meetings in late September 2004.

■ **The increase in Deutsche Bank's relevant interest is fair and reasonable.**

In Grant Samuel's opinion, the potential increase in Deutsche Bank's relevant interest up to a maximum of 35% is fair and reasonable to non associated unitholders. In Grant Samuel's view, there is no impact on the effective control of DRT. A large component of Deutsche Bank's relevant interest is the STC unitholdings in DOT and DIT. In reality these interests are not controlled by Deutsche Bank.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of unitholders in DOT, DIT and DDF. Because of that, before acting in relation to their investment, unitholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Unitholders should read the Explanatory Memorandum issued by DeAM, DBRE and DBRF Management in relation to the Proposal.

Approval or rejection of the Proposal is a matter for individual unitholders based on their expectations as to value and future market conditions and their particular circumstances including risk profile, liquidity preference, portfolio strategy and tax position. In particular, taxation consequences (such as the extent to which capital gains tax will be payable) will vary widely across unitholders. Unitholders will need to consider these consequences and, if appropriate, consult their own professional adviser.

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

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached to the Explanatory Memorandum as Attachment 1 and should be read in conjunction with this summary.

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

Yours faithfully

GRANT SAMUEL & ASSOCIATES PTY LIMITED

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12.3 Summary of valuations of US Assets

VALUATION & ADVISORY SERVICES



CB Richard Ellis, Inc.
355 South Grand Avenue
Suite 1200
Los Angeles, CA 90071-1549
www.cbre.com

July 23, 2004

The Directors

**Deutsche Asset Management (Australia) Limited & DB Real Estate Australia Limited
DB RREEF Funds Management Limited**

Level 21, 83 Clarence Street
Sydney NSW 2000, Australia

**Re: Summary of Appraisal Reports
93 Property Industrial Portfolio
Various locations within the United States**

Dear Ladies and Gentlemen:

1. INSTRUCTIONS:

At your request, CB Richard Ellis, Inc. ("CBRE") has prepared this letter summarizing the valuation results from our complete, self contained appraisal reports ("Reports"). The purpose of our Reports was to render an opinion of prospective market value of the leased fee or leasehold interest in each property as of May 1, 2004. The Reports are intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the U.S. Standards of Professional Appraisal Practice. In each of the individual, self-contained appraisals, CBRE considers the standard customary approaches to value. The value conclusions are subject to the assumptions and limiting conditions contained in each report and reflect all information known by the appraisers of CBRE who worked on the Reports for the subject properties and their market conditions within the general area of each property.

The Reports were also prepared in conformance with our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Title XI Regulations.

2. RELIANCE ON THIS LETTER:

We have prepared this letter summarizing our Reports which outlines key factors that have been considered in arriving at our opinions of value. This letter alone does not contain all the data and support, which is included in our Reports. For further information, we recommend the reader review the contents of each complete, self-contained Report.

CBRE has provided Deutsche Asset Management (Australia) Limited and DB Real Estate Australia Limited with an appraisal of each property. The appraisals are not guarantees or

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12.3 Summary of valuations of US Assets

Deutsche Asset Management (Australia) Limited & DB Real Estate Australia Limited
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predictions of the future performance of any particular property and must be read in light of the following:

- CBRE was provided rent rolls and detailed historic operating data for each of the subject properties. CBRE has relied on the accuracy of the provided information for the appraisals and assumes it is correct. The Reports and the conclusions as to estimated value are based upon factual information set forth within each Report. While CBRE has endeavored to assure the accuracy of the factual information, it has not independently verified all information provided by (a) The RREEF America LLC ("RREEF") (current investment manager) and the client, or (b) the governments of the United States with respect to state, county and municipality in which each property is located (primarily statistical information relating to market conditions). CBRE, based upon the information it has received from the sources identified above, has not found any reason to doubt or discount the accuracy of the information it has been provided.
- The primary valuation methodology used by CBRE in appraising each property, the Income Capitalization Approach (Discounted Cash Flow Analysis and the Direct Capitalization Methodology), is based upon an estimation of future results and is not a prediction. This valuation methodology is summarized later in this letter and also in depth within our Reports. The methodology begins with a set of assumptions as to the projected income and expenses of the subject properties and future economic conditions in their local markets. The income and expense figures are mathematically extended, with adjustments for estimated changes in economic conditions and lease terms. The result is the best estimate of value CBRE can produce, but it is an estimate and not a prediction or guarantee and it is fully dependent upon the accuracy of the assumptions as to income, expense and market conditions. Basic assumptions for each property are set forth in a summary table later in this letter.
- The secondary valuation approaches utilized by CBRE in appraising each property were the Sales Comparison Approach and the Cost Approach, as applicable. The Sales Comparison Approach compares actual sales of similar properties to the subject, adjusting the comparables for differences that exist between them and the subject. The Cost Approach estimates the value of the land and adds to this the depreciated value of the improvements. These two approaches generally support the value arrived at in the Income Capitalization Approach.
- Our Reports are based upon the most current information available at the time that each appraisal was prepared. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. Any subsequent change in lease terms may result in a corresponding change to the value. We make no representation or warranties regarding the lease terms and advise the user of the Reports to perform their own due diligence.

CBRE
CB RICHARD ELLIS

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3. BRIEF DESCRIPTION OF THE PROPERTIES:

The various subject properties represent 93 industrial developments located throughout the United States. The properties range in size from 34,600 square feet to 1,274,802 square feet. The majority were built from the mid-1980s through the late 1990s, although the oldest building dates back to 1940 and the newest was built in 2001.

4. VALUATION RATIONALE:

In arriving at our opinions of market value, we have placed primary emphasis on the Discounted Cash Flow analysis and the Direct Capitalization analysis within the Income Capitalization Approach. An explanation of the application of the Discounted Cash Flow and Direct Capitalization methodologies is provided in the following subsections.

(a) Discounted Cash Flow Method

The Discounted Cash Flow (DCF) method is a detailed analysis used when the future income is expected to be variant, usually as a result of numerous lease obligations and/or anticipated changes in market conditions or income and expenses. The DCF method specifies the quantity, variability, timing and duration of net operating income and cash flow. Estimating the proper internal rate of return or yield rate (discount rate) is essential. CBRE must consider the target yield sought by investors as well as yields derived from comparable sales and/or market information.

The methodology is as follows:

- i. Estimate the before-tax cash flows for each period of a projected holding period net of any capital expenditures such as leasing commissions, structural repairs and tenant improvements.
- ii. Estimate a yield rate and a terminal overall capitalization rate.
- iii. Estimate a selling price, known as the reversion, for the end of the projected holding period.
- iv. The cash flows and the reversion are then discounted to a value estimate.

We have generally utilized a 10-year holding period, with the reversion calculated based upon capitalizing year 11 net operating income. If the year 11 net operating income was not at a stabilized level due to lease rollovers, we extend the estimated holding period beyond 10 years until a stabilized net operating income is achieved. Actual lease terms are utilized in projecting cash flow. Upon expiration, the leases are rolled to market terms.

In general, the estimated growth rate for market rent, rental income and expenses ranges between 2.0% to 3.0% per annum, similar to our projection of inflation. Our selected terminal capitalization rate, used to estimate a reversionary sales price, takes into consideration perceived market conditions out in the future (10 years), the estimated quality of cash flow at the time (lease expiration, tenancy,

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stability of cash flow stream) and physical condition of the building 10 years into the future. Our terminal capitalization rates are generally 25 to 100 points higher than our going in overall rate, depending upon the particulars of each property in the portfolio.

In selecting yield rates at which cash flows are to be discounted, an emphasis is placed on the prospective or forecast yield rates anticipated by typical buyers and sellers. This rate is influenced by many factors, including the degree of apparent risk, market attitudes toward future inflation, the prospective rates of return for alternative investments, the rates of return earned by comparable properties in the past, the supply and demand of mortgage funds and the availability of tax shelters. We applied discount rates ranging from 7.50% to 12.00%, depending upon the particulars of the respective properties in the portfolio.

(b) Direct Capitalization Method

Direct capitalization is the method used to convert a single year's estimate of stabilized net operating income into a value indication. In direct capitalization, a precise allocation between return on and return of capital is not made because investor assumptions or forecasts concerning the holding period, pattern of income or changes in value of the original investment are not simulated in the method. Direct capitalization is the most appropriate method to use when analyzing a stable income stream and in estimating the reversion at the end of a holding period. Using this method, the following sets forth the process:

- i. Estimate the Potential Gross Income (PGI) from all sources that a prudent owner should be able to generate from a property based on existing and/or market rents.
- ii. Deduct an estimate of Vacancy and Collection Loss (VCL) to arrive at an Effective Gross Income (EGI).
- iii. Deduct estimated operating expenses from the estimate of EGI. The result is an estimate of the stabilized Net Operating Income (NOI).
- iv. Estimate an Overall Capitalization Rate (OAR).
- v. Divide the NOI by OAR, resulting in a value estimate at stabilized occupancy.

The overall rates are based on comparable sales as well as discussions with market participants and national investor surveys. The overall rates used for the subject properties range from 7.25% to 10.70% depending upon the particulars of the respective property in the portfolio.

5. SUMMARY OF VALUES

Individual property values estimated by CB Richard Ellis, Inc. as of May 1, 2004, according to the terms outlined in the Reports, are shown in the following table. For all details of the valuations, please refer to the individual complete, self-contained reports.

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Property Name	City/State	Concluded Value	Going-in OAR	Terminal OAR	Discount Rate
3765 Atlanta Industrial Drive	Fulton County, GA	\$ 3,600,000	9.50%	9.50%	10.00%
7100 Highlands Parkway	Smyrna, GA	\$ 9,400,000	10.70%	9.00%	10.00%
Town Park Drive	Kennesaw, GA	\$ 5,900,000	8.50%	9.00%	9.75%
Williams Drive/Northgate Dist.	Marietta, GA	\$ 8,400,000	9.00%	9.00%	9.75%
MD Food Park	Jessup, MD	\$ 18,300,000	8.50%	9.00%	9.50%
West Nursery	Linthicum Heights, MD	\$ 5,500,000	7.50%	8.50%	9.50%
Cabot Tech	Linthicum Heights, MD	\$ 20,000,000	8.00%	9.00%	9.50%
9112 Guilford Road	Columbia, MD	\$ 8,000,000	7.50%	8.50%	9.50%
8155 Stayton Drive	Jessup, MD	\$ 6,300,000	8.50%	9.00%	9.50%
Patuxent Range Road	Jessup, MD	\$ 10,200,000	8.50%	9.00%	9.50%
Bristol Court	Jessup, MD	\$ 8,700,000	8.50%	9.00%	9.50%
10 Kenwood Circle	Franklin, MA	\$ 9,500,000	7.75%	8.00%	9.25%
Commerce Park	Charlotte, NC	\$ 6,300,000	9.00%	9.00%	10.50%
9900 Brookford Street	Charlotte, NC	\$ 3,600,000	9.00%	9.00%	10.50%
Westinghouse	Charlotte, NC	\$ 16,200,000	8.75%	8.75%	10.00%
Airport Exchange	Erlanger, KY	\$ 2,900,000	9.00%	9.50%	11.00%
Airport Exchange (Empire Dr.)	Florence, KY	\$ 5,250,000	10.00%	10.50%	12.00%
International Way	Hebron, KY	\$ 9,100,000	8.50%	9.00%	9.75%
7930&7940 Ky Dr	Florence, KY	\$ 9,400,000	9.25%	9.75%	10.75%
Spiral Drive	Erlanger, KY	\$ 5,000,000	9.00%	9.25%	10.50%
Turfway Road	Erlanger, KY	\$ 4,400,000	9.25%	9.75%	11.00%
Equity/Westbelt/Dividend	Columbus, OH	\$ 35,300,000	9.00%	9.00%	9.50%
2700 International Street	Columbus, OH	\$ 2,400,000	10.00%	10.00%	11.00%
3800 Twin Creeks Drive	Columbus, OH	\$ 3,875,000	8.75%	9.00%	9.50%
1900 Diplomat Drive	Farmers Branch, TX	\$ 4,000,000	8.50%	9.00%	9.75%
2055 Diplomat Drive	Farmers Branch, TX	\$ 2,000,000	8.75%	9.25%	10.00%
1413 Bradley Lane	Carrollton, TX	\$ 2,600,000	8.50%	9.00%	9.75%
Brackbill	Harrisburg, PA	\$ 21,000,000	8.25%	9.00%	10.00%
Mechanicsburg (Cumberland-Ritter)	Mechanicsburg, PA	\$ 17,400,000	8.00%	8.50%	10.00%
181 Fulling Mill Road	Harrisburg, PA	\$ 8,200,000	8.25%	9.00%	10.00%
Glendale	Los Angeles, CA	\$ 47,330,000	7.75%	8.00%	9.75%
Memphis Industrial	Memphis, TN	\$ 8,900,000	9.00%	8.75%	10.00%
2950 Lexington Avenue S	Eagan, MN	\$ 8,350,000	8.50%	9.00%	10.25%
Mounds View	Mounds View, MN	\$ 17,200,000	8.50%	9.00%	10.25%
6105 Trenton Lane	Plymouth, MN	\$ 7,200,000	8.25%	9.00%	10.25%
8575 Monticello Lane	Plymouth, MN	\$ 1,650,000	9.00%	9.25%	10.25%
7401 Cahill Road	Edina, MN	\$ 2,500,000	8.75%	9.25%	10.75%
124 Commerce	Loveland, OH	\$ 1,800,000	8.75%	9.00%	10.00%

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Property Name	City/State	Concluded Value	Going-in OAR	Terminal OAR	Discount Rate
Kenwood Road	Blue Ash, OH	\$ 16,550,000	9.75%	10.00%	11.50%
Lake Forest Drive	Blue Ash, OH	\$ 10,750,000	9.50%	9.75%	11.00%
World Park	Union Twp., OH	\$ 11,850,000	9.25%	9.50%	11.00%
Alexandria	Alexandria, VA	\$ 46,000,000	8.25%	9.00%	10.00%
Calvert/Murry's	Alexandria, VA	\$ 4,250,000	10.50%	9.00%	10.00%
Orlando Central Park	Orlando, FL	\$ 53,000,000	7.70%	8.75%	9.50%
7500 Exchange Drive	Orlando, FL	\$ 4,900,000	8.60%	8.75%	9.50%
105-107 South 41 st Avenue	Phoenix, AZ	\$ 12,100,000	8.50%	9.00%	10.75%
1429-1439 South 40 th Avenue	Phoenix, AZ	\$ 8,650,000	8.00%	8.75%	9.75%
10397 West Van Buren St.	Tolleson, AZ	\$ 6,300,000	8.25%	8.75%	9.75%
844 44 th Avenue	Phoenix, AZ	\$ 5,750,000	8.00%	8.50%	9.75%
220 South 9 th Street	Phoenix, AZ	\$ 6,000,000	7.75%	8.25%	9.50%
431 North 47 th Avenue	Phoenix, AZ	\$ 5,500,000	8.50%	8.75%	9.75%
601 South 55 th Avenue	Phoenix, AZ	\$ 4,000,000	8.25%	8.50%	9.75%
1000 South Priest Dr.	Tempe, AZ	\$ 4,600,000	8.50%	9.00%	9.75%
1120-1150 W. Alameda Dr.	Tempe, AZ	\$ 6,250,000	8.50%	8.75%	9.75%
1858 East Encanto Dr.	Tempe, AZ	\$ 3,900,000	8.00%	8.50%	9.75%
3802-3922 East University Dr.	Phoenix, AZ	\$ 8,800,000	See Below	8.75%	9.75%
Chino	Chino, CA	\$ 5,500,000	7.25%	7.50%	9.50%
Mira Loma	Mira Loma, CA	\$ 10,100,000	7.25%	7.50%	9.75%
Ontario	Ontario, CA	\$ 28,000,000	7.25%	7.5-8.0%	9.0-9.5%
4190 East Santa Ana Street	Ontario, CA	\$ 4,800,000	7.25%	7.50%	9.00%
Rancho Cucamonga	Rancho Cucamonga, CA	\$ 20,400,000	7.25%	7.5-8.0%	9.5-9.75%
12000 Jersey Court	Rancho Cucamonga, CA	\$ 3,850,000	7.50%	8.00%	10.00%
Kent West	Kent, WA	\$ 25,500,000	8.00%	8.50%	10.00%
Stone Mountain	Tucker, GA	\$ 4,800,000	9.00%	9.50%	10.50%
NE Baltimore	Baltimore, MD	\$ 7,000,000	8.25%	9.00%	9.50%
SE Columbus	Columbus, Ohio	\$ 11,350,000	8.75%	9.00%	9.50%
Arlington	Arlington, VA	\$ 7,000,000	9.00%	9.25%	9.75%
North Lake	Coppell, TX	\$ 8,200,000	8.50%	9.00%	9.75%
555 Airline Drive	Coppell, TX	\$ 5,200,000	8.50%	9.00%	9.75%
455 Airline Drive	Coppell, TX	\$ 2,900,000	8.50%	9.00%	9.75%
Hillguard	Dallas, TX	\$ 6,500,000	8.50%	9.00%	9.75%
11011 Regency Crest Drive	Dallas, TX	\$ 5,200,000	8.50%	9.00%	9.75%
East Collins	Richardson, TX	\$ 3,010,000	8.50%	9.00%	9.75%
3601 East Plano/1000 Shiloh	Plano, TX	\$ 11,500,000	8.50%	9.00%	9.75%
East Plano Parkway	Plano, TX	\$ 19,000,000	8.50%	9.00%	9.75%
820-860 Avenue F	Plano, TX	\$ 5,580,000	8.50%	9.00%	9.75%

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Property Name	City/State	Concluded Value	Going-in OAR	Terminal OAR	Discount Rate
10th Street	Plano, TX	\$ 9,380,000	8.50%	9.00%	9.75%
Capital Ave	Plano, TX	\$ 5,520,000	8.50%	9.00%	9.75%
CTC @ Valwood/13755 Hutton	Farmers Branch, TX	\$ 3,300,000	8.50%	9.00%	9.75%
14489 Industry Circle*	La Mirada, CA	\$ 6,500,000	8.25%	8.75%	9.50%
14555 Alondra/6530 Altura *	La Mirada/Buena Pk, CA	\$ 16,500,000	8.00%	8.50%	9.50%
San Fernando Valley	Sun Valley, CA	\$ 14,700,000	7.50%	7.75%	9.00%
CTC @ Dulles	Herndon, VA	\$ 23,500,000	8.00%	8.25%	7.50%
Nokes Blvd	Sterling, VA	\$ 23,000,000	8.00%	8.50%	9.00%
Guilford	Ashburn, VA	\$ 15,600,000	8.75%	9.00%	9.50%
Beaumeade Telecom	Ashburn, VA	\$ 27,000,000	8.00%	8.25%	9.00%
1855 Dornoch Court	San Diego, CA	\$ 8,600,000	8.25%	8.75%	10.75%
Airway Road	San Diego, CA	\$ 9,100,000	8.25%	8.75%	10.00%
5823 Newton Drive/Palomar Airport	Carlsbad, CA	\$ 16,500,000	7.75%	8.25%	9.25-9.50%
2210 Oak Ridge Way/Palomar Airport	Vista, CA	\$ 5,100,000	7.75%	8.50%	9.50-9.75%
26507 79th Ave. - South*/Riverbend Bldg. C	Kent, WA	\$ 2,420,000	8.25%	8.25%	9.75%
8005 S. 266th Street*/Riverbend Bldg. E	Kent, WA	\$ 6,350,000	8.50%	8.25%	9.75%
300, 400, 1400 Northpoint Parkway	West Palm Beach, FL	\$ 17,800,000	8.00%	8.50%	10.00%
Total		\$ 993,065,000			

6. PRICE SUPPORTS

The subject properties are being offered on the market with certain "price supports" available. The "price supports" are made up of a capital expenditures allowance of \$1.00/SF and on income support allowance. We have been provided with exact figures for the total "price supports" on the respective subject properties by the current ownership. We have assumed these figures to be accurate and any change in these figures could impact our value conclusion. In addition, the reader should note that the "price support" allowance would be available immediately to a buyer of the properties and, thus, the total price support allowance for each property is simply added to the "as is" conclusion of value in order to derive on "as is with price supports" value. The "price supports" amount ranges from \$34,600 to \$2,118,814 per property and totals \$39,357,059 for the entire portfolio. Adding the "price supports" allowance to the indicated aggregate value yields a total plus "price supports" of \$1,032,422,059, as shown in the following table.

Aggregate As Is Value	\$ 993,065,000
Aggregate Price Supports	\$ 39,357,059
Total Aggregate Value	\$ 1,032,422,059

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DB RREEF Funds Management Limited
July 23, 2004
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7. LIABILITY DISCLAIMER

CBRE has prepared this Valuation Summary Letter and understands that it will be used as part of a Product Disclosure Statement. CBRE specifically disclaims liability to any person in the event of any omission from or false or misleading statements included in the Product Disclosure Statement. CBRE does not make any warranty or representation as to the accuracy of the information in any part of the Product Disclosure Statement other than as expressly made or given by CBRE in this Summary Valuation Letter.

Further, Deutsche Asset Management (Australia) Limited and DB Real Estate Australia Limited has agreed to indemnify, defend and hold CBRE, its parent, subsidiaries and affiliates and their respective officers, directors, employees, agents and attorneys harmless from and against any and all claims, damages, liabilities, expenses, losses and costs, including reasonable attorneys' fees, arising from or in any way related to the use of our Reports, or description of CBRE and/or the Appraisals, except for any finally adjudicated liability of CBRE; as determined by a court of competent jurisdiction, resulting from CBRE's failure to render the opinion of value in a manner consistent with generally recognized appraisal practices.

CBRE has relied upon property data supplied by RREEF and the client, which we assumed to be true and accurate. CBRE takes no responsibility for inaccurate client-supplied data and any conclusions made in reliance upon the data.

8. CERTIFICATION OF THE APPRAISALS (AND VALUATION SUMMARY LETTER)

I certify that to the best of my knowledge and belief:

- a) The statements of value contained in this Valuation Summary Letter ("letter") are true and correct.
- b) The reported analyses, opinions and conclusions of each Report are limited only by the reported assumptions and limiting conditions, and are the CBRE appraisers' impartial and unbiased professional analyses, opinions and conclusions.
- c) I have no present or prospective interest in the properties that are the subject of this letter, and no personal interest with respect to the parties involved.
- d) I have no bias with respect to the properties that are the subject of this letter or to the parties involved with this assignment.
- e) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- f) My compensation for completing this letter is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client,

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12.3 Summary of valuations of US Assets

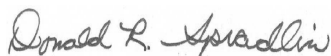
Deutsche Asset Management (Australia) Limited & DB Real Estate Australia Limited
DB RREEF Funds Management Limited
July 23, 2004
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the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of the appraisals prepared.

- g) The individual CBRE appraiser's analyses, opinions and conclusions were developed, and the Reports have been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).
- h) The respective Senior Managing Directors, who are MAIs, for the individual appraisers of CBRE's Valuation and Advisory Services Group, have reviewed and approved the Reports, but have not personally inspected any of the properties, unless otherwise indicated. Donald R. Spradlin, MAI, did not inspect any of the properties.
- i) No one provided significant professional assistance to the person signing this letter or the persons signing the Reports, unless otherwise indicated.
- j) The use of this letter is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- k) As of the date of this letter Donald R. Spradlin, MAI, has completed the requirements of the continuing education program of the Appraisal Institute.

Respectfully submitted

CB Richard Ellis, Inc.
Valuation & Advisory Services



Donald R. Spradlin, MAI
Senior Managing Director

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12.4 Independent Accountant's Report on historical and forecast information



The Directors
Deutsche Asset Management (Australia) Limited (Responsible Entity of
Deutsche Industrial Trust and Deutsche Office Trust)
Level 21
83 Clarence Street
Sydney NSW 2000

The Directors
DB Real Estate Australia Limited
(Responsible Entity of Deutsche Diversified Fund)
Level 21
83 Clarence Street
Sydney NSW 2000

The Directors
DB RREEF Funds Management Limited
(Proposed Future Responsible Entity of Deutsche Industrial Trust, Deutsche Office Trust
and Deutsche Diversified Fund)
Level 21
83 Clarence Street
Sydney NSW 2000

25 August 2004

Subject: Independent Accountant's Report on Historical and Forecast Financial Information

Dear Sirs

We have prepared this report on historical and forecast financial information relating to

- the proposed stapling of the units of Deutsche Office Trust ("DOT"), Deutsche Industrial Trust ("DIT"), Deutsche Diversified Fund ("DDF") (collectively "the Trusts") and DB RREEF Operations Trust to create the DB REEF Trust ("DRT") and
- the proposed acquisitions of a 50% holding in DB RREEF Funds Management Limited, an 80% interest in a portfolio of US assets and an interest in Deutsche Wholesale Property Fund

for inclusion in an Product Disclosure Statement and Explanatory Memorandum ("PDS/EM") dated on or about 25 August 2004.

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**PricewaterhouseCoopers
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12.4 Independent Accountant's Report on historical and forecast information



Expressions defined in the PDS/EM 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 (Cth). 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 Independent Accountant's Report (the Report) covering the following information:

Historical financial information

- (a) the historical statements of financial performance of DOT, DIT and DDF for the years ended 30 June 2002, 2003 and 2004; and
- (b) the statements of financial position for DOT, DIT, DDF at 30 June 2004. (collectively, the "Historical Financial Information").

Forecast financial information

- (c) forecast statement of financial performance of DOT, DIT, DDF for each of the years ending 30 June 2005 and 30 June 2006; and
- (d) forecast statements of financial performance and cashflow of DRT for each of the years ending 30 June 2005 and 30 June 2006
- (e) the pro forma statement of financial position for DRT which assumes completion of the contemplated transactions disclosed in the PDS/EM (the "pro forma transactions")
(collectively, "the Forecasts").

This Report has been prepared for inclusion in the PDS/EM. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information or the Forecasts to which it relates for any purposes other than for which it was prepared.

Scope of review of Historical Financial Information

The Historical Financial Information set out in Section 9.3 and 9.5 of the PDS/EM has been extracted from the audited financial statements of DOT, DIT and DDF, which were audited by PricewaterhouseCoopers that issued a unmodified audit opinion on the financial statements. No adjustments were considered necessary by the Directors of the Responsible Entities to reflect the operations of DOT, DIT, DDF going forward. The Directors of the

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12.4 Independent Accountant's Report on historical and forecast information



Responsible Entities are responsible for the preparation of the Historical Financial Information, including determination of any adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited financial performance of the Trusts for the relevant historical period
- a review of work papers, accounting records and other documents
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Trusts disclosed in Section 9.2, 9.3 and 9.5 of the PDS/EM and the requirements of the respective Constitutions., and
- enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the Historical Financial Information, as set out in Section 8.3 and 8.5 of the PDS/EM does not present fairly:

- (a) the historical statements of financial performance of each of DOT, DIT and DDF for the years ended 30 June 2002, 2003 and 2004; and
- (b) the historical statements of financial position of each of DIT, DOT and DDF as at 30 June 2004

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by the Trusts disclosed in Section 9.2, 9.3 and 9.5 of the PDS/EM and the requirements of the respective Constitutions.

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Scope of review of Forecast financial information

The Directors of the Responsible Entities ("REs") are responsible for the preparation and presentation of the Forecasts, including the best estimate assumptions 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 the REs 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 the Trusts and DRT disclosed in Section 9.2, 9.3 and 9.5 of the PDS/EM and the respective Constitutions of the Trusts so as to present a view of the Trusts and DRT which is consistent with our understanding of the Trusts' past, current and future operations.

The Forecasts have been prepared by the Directors to provide investors with a guide to the potential future financial performance of the Trusts and DRT 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 11 of the PDS/EM.

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 PDS/EM.

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:

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- (a) the best estimate assumptions set out in Section 9.2, 9.3, 9.5 and 9.6 of the PDS/EM 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 in Section 9.3, 9.5 and 9.6 of the PDS/EM 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 the Trusts and DRT and the requirements of the Trusts' Constitutions
- (c) the Forecasts are unreasonable
- (d) the pro forma Statement of Financial Position of DRT has 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 Statement of Financial Position of DRT.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Responsible Entities of the Trusts and DRT. If events do not occur as assumed, actual results and distributions achieved by the Trusts or DRT 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 the Trusts or DRT 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.

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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.

Yours faithfully

A handwritten signature in black ink, appearing to read 'DA Prothero', written in a cursive style.

DA Prothero
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

A handwritten signature in black ink, appearing to read 'Bob Prosser', written in a cursive style.

Bob Prosser
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

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FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 25 August 2004

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Deutsche Asset Management (Australia) Limited (Responsible Entity of Deutsche Industrial Trust ("DIT") and Deutsche Office Trust (DOT)), DB Real Estate Australia Limited (Responsible Entity of Deutsche Diversified Fund ("DDF")), and DB RREEF Funds Management Limited (Proposed Future Responsible Entity of Deutsche Industrial Trust, Deutsche Office Trust and Deutsche Diversified Fund) to provide a report in the form of an Independent Accountant's Report in relation to the proposed stapling of DIT, DOT and DDF and acquisition of other assets, reporting on Historical and Forecast Financial Information for inclusion in the Product Disclosure Statement / Explanatory Memorandum dated on or about 25 August 2004 (the "Report"). PwC Securities is wholly owned by PricewaterhouseCoopers ("PwC")

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.

PwCS Public Reports FSG

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

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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 and are disclosed in Section 19 of the Product Disclosure Statement / Explanatory Memorandum.

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 partners, employees and associates may from time to time have relationships with the issuers of financial products. For example, PwC or PwC Securities may be the auditor of, or provide financial services to, the issuer of a financial product in the ordinary course of its business. PwC are the auditors of DOT, DIT and DDF and provide related assurance services.

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:

Mr Bob Prosser
Level 1
Darling Park Tower 2
201 Sussex Street
Sydney NSW 2000

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Greenwoods & Freehills

20 August 2004

The Directors
Deutsche Asset Management
(Australia) Limited
Level 21
83 Clarence Street
SYDNEY NSW 2000

The Directors
DB Real Estate Australia Limited
Level 21
83 Clarence Street
SYDNEY NSW 2000

The Directors
DB RREEF Funds Management Limited
Level 21
83 Clarence Street
SYDNEY NSW 2000

Dear Directors

Australian Taxation Report

We have been instructed by DB Real Estate Australia Limited ("DBRE"), as responsible entity ("RE") for Deutsche Diversified Trust ("DDF"), Deutsche Asset Management (Australia) Limited ("DeAM") as RE for Deutsche Industrial Trust ("DIT") and Deutsche Office Trust ("DOT") and DB RREEF Funds Management Limited to prepare a taxation report on Australian income tax and goods and services tax ("GST") issues, for inclusion in an Explanatory Memorandum in relation to the transaction described in detail in the Explanatory Memorandum and summarised below (the "Transaction").

The information contained in this report is of a general nature only. It does not constitute tax advice and should not be relied upon as such. This report only outlines the general Australian taxation implications for DDF Unitholders, DIT Unitholders and DOT Unitholders (each a Unitholder) in respect of their participation in the Transaction and from the holding and disposal of Stapled Securities created as part of the Transaction. We have only dealt with resident Unitholders that are individuals, complying superannuation entities and companies who hold their Stapled Securities on capital account. In particular, we have not addressed the tax treatment for Unitholders that hold their Stapled Securities on revenue account such as banks and other trading entities or non-resident Unitholders (including non-resident Unitholders who currently hold, or will hold, their Stapled Securities through a permanent establishment in Australia).

All investors should seek independent professional advice on the consequences of their participation in the Transaction, based on their particular circumstances.

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Liability limited by the Accountants' Scheme, approved under the Professional Standards Act 1994 (NSW)
Greenwoods & Freehills Pty Limited ABN 60 003 146 852

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Terms used in this report are, unless stated otherwise, defined in the same way as they are in the Explanatory Memorandum or the Cash Sale and Exchange Facilities Notices, as applicable.

This report is based on the provisions of the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, the *A New Tax System (Goods and Services Tax) Act 1999* and related acts, regulations and Australian Taxation Office (“ATO”) rulings and determinations applicable as at the date of this letter. Importantly, this report reflects the various class ruling requests lodged on behalf of the Unitholders on the assumption that the ATO will issue Class Rulings in accordance with such requests.

1 Factual Background

1.1 Transaction

The Transaction can be summarised broadly as follows:

- each Existing DIT Unit will be converted into 1.5110759679 Restructured DIT Units, with each holding being rounded to the nearest whole number of Restructured DIT Units;
- each Existing DOT Unit will be converted into 0.9317613987 Restructured DOT Units, with each holding being rounded to the nearest whole number of Restructured DOT Units;
- each DDF Unitholder will receive a stapling distribution of \$0.362 for every DDF Unit held which will be applied on behalf of each DDF Unitholder to subscribe for one Restructured DIT Unit for \$0.16, one Restructured DOT Unit for \$0.20 and one DRO Unit for \$0.002;
- each DIT Unitholder will receive a stapling distribution of \$0.402 for every Restructured DIT Unit held which will be applied on behalf of each DIT Unitholder to subscribe for one DDF Unit for \$0.20, one Restructured DOT Unit for \$0.20 and one DRO Unit for \$0.002;
- each DOT Unitholder will receive a stapling distribution of \$0.362 for every Restructured DOT Unit held which will be applied on behalf of each DOT Unitholder to subscribe for one DDF Unit for \$0.20, one Restructured DIT Unit for \$0.16 and one DRO Unit for \$0.002; and
- one DDF Unit, one Restructured DIT Unit, one Restructured DOT Unit and one DRO Unit will be stapled and listed on the Australian Stock Exchange.

The general taxation consequences of participating in the Transaction are outlined in section 2 below.

1.2 Cash Sale and Exchange Facilities

As an alternative to participating in the Transaction, Unitholders may elect to participate in:

- (a) the Cash Sale Facility whereby the relevant Unitholder’s DDF Units, Existing DIT Units or Existing DOT Units (as the case may be) will be transferred to the Sale Bank for the sale price per DDF Unit, Existing DIT Unit and Existing DOT Unit; or

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- (b) the Exchange Facility whereby the relevant Unitholder's DDF Units, Existing DIT Units or Existing DOT Units (as the case may be) will be transferred to the Sale Bank in exchange for Stapled Securities.

The general taxation consequences of participating in the Cash Sale Facility or Exchange Facility are outlined in section 3 below.

2 Tax Consequences of Transaction

2.1 DDF Unitholders

The capital gains tax ("CGT") and income tax consequences discussed below will generally apply to Australian resident DDF Unitholders.

2.1.1 DDF stapling distribution

2.1.1.1 Pre-CGT DDF Units

In respect of DDF Units acquired or taken to have been acquired by a Unitholder for CGT purposes prior to 20 September 1985 (Pre-CGT DDF Units), the stapling distribution will not be a taxable event for CGT purposes. However, the Restructured DIT Units, Restructured DOT Units and DRO Units acquired will be subject to the general CGT implications discussed in this report (see further 4 and 5 below).

2.1.1.2 Post-CGT DDF Units

The stapling distribution by DDF is not a distribution of income of DDF and therefore, subject to the CGT provisions (discussed below), no amount of the stapling distribution should be included in the assessable income of a DDF Unitholder in respect of DDF Units acquired or taken to have been acquired for CGT purposes on or after 20 September 1985 (Post-CGT DDF Units).

The stapling distribution of \$0.362 paid by DDF in respect of each Unit in DDF will result in the cost base and reduced cost base in each DDF Unit being reduced by \$0.362. Any DDF Unitholder whose cost base in a DDF Unit at the time of the stapling distribution is less than \$0.362 will make a capital gain to the extent that such cost base is less than the \$0.362 stapling distribution. Certain DDF Unitholders who make a capital gain may be eligible for the CGT discount or indexation (see 5.2 below).

2.1.2 Restructured DIT Units issued to DDF Unitholders

The first element of the cost base of each Restructured DIT Unit issued to a DDF Unitholder will be \$0.16, being the amount that each DDF Unitholder is required to pay in respect of the acquisition of each Restructured DIT Unit (and which will be applied on the DDF Unitholder's behalf from the proceeds of the stapling distribution). The Restructured DIT Units will be taken to be acquired by each DDF Unitholder for CGT purposes when they are issued pursuant to the Transaction (being the Issue Date).

2.1.3 Restructured DOT Units issued to DDF Unitholders

The first element of the cost base of each Restructured DOT Unit issued to a DDF Unitholder will be \$0.20, being the amount that each DDF Unitholder is required to pay in respect of the acquisition of each Restructured DOT Unit (and which will be applied on the DDF Unitholder's behalf from the proceeds of the stapling distribution). The Restructured DOT Units will be taken for CGT purposes to be

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acquired by each DDF Unitholder when they are issued pursuant to the Transaction (being the Issue Date).

2.1.4 DRO Units issued to DDF Unitholders

The first element of the cost base of each DRO Unit issued to a DDF Unitholder will be \$0.002, being the amount that each DDF Unitholder is required to pay in respect of the acquisition of each DRO Unit (and which will be applied on the DDF Unitholder's behalf from the proceeds of the stapling distribution). The DRO Units will be taken for CGT purposes to be acquired by each DDF Unitholder when they are issued pursuant to the Transaction (being the Issue Date).

2.1.5 Stapling

The effect of stapling is to apply restrictions to the transferability of the individual units comprising the Stapled Security, such that each individual unit (i.e. a DDF Unit, a Restructured DIT Unit, a Restructured DOT Unit and a DRO Unit) will retain its legal character without any change of beneficial ownership. There will be no taxable event for CGT purposes in relation to the stapling of a DDF Unit to a Restructured DIT Unit, a Restructured DOT Unit and a DRO Unit pursuant to the Transaction.

2.1.6 Class Ruling

It is anticipated that the ATO will confirm the above analysis in a Class Ruling in respect of DDF Unitholders. Additionally, we have requested that the ATO confirm that certain other taxable events for CGT purposes will have no application to the Transaction and it is anticipated that such confirmation will also be provided in the Class Ruling in respect of DDF Unitholders.

2.2 DIT Unitholders

The CGT and income tax consequences discussed below will generally apply to Australian resident DIT Unitholders.

2.2.1 Splitting of Existing DIT Units

For CGT purposes, if a CGT asset (such as each Existing DIT Unit) is split into two or more assets and the beneficial owner of the original asset and the split assets remains the same, the splitting will not be a taxable event for CGT purposes.

In these circumstances each element of the cost base and the reduced cost base of the split assets (immediately after splitting) is a fraction of the corresponding elements of the cost base of the original asset.

Accordingly, the cost base and reduced cost base of each Restructured DIT Unit will be equal to the respective cost base and reduced cost base of the Existing DIT Unit divided by the number of Restructured DIT Units arising from the split.

On the basis that the splitting of Existing DIT Units will not be a taxable event for CGT purposes (because there will be no change in beneficial ownership of the Existing DIT Units), a DIT Unitholder would generally be taken to have acquired the Restructured DIT Units at the time they acquired their Existing DIT Units.

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2.2.2 DIT stapling distribution

The stapling distribution by DIT will not be a distribution of income of DIT and therefore, subject to the CGT provisions (discussed below), no amount of the stapling distribution should be included in the assessable income of a DIT Unitholder.

The stapling distribution of \$0.402 paid by DIT in respect of each Restructured DIT Unit will result in the cost base and reduced cost base in each Restructured DIT Unit being reduced by \$0.402. Any DIT Unitholder whose cost base in a Restructured DIT Unit at the time of the stapling distribution is less than \$0.402 will make a capital gain to the extent that such cost base is less than the \$0.402 stapling distribution. Certain DIT Unitholders who make a capital gain may be eligible for the CGT discount or indexation (see 5.2 below).

2.2.3 DDF Units issued to DIT Unitholders

The first element of the cost base of each DDF Unit issued to a DIT Unitholder will be \$0.20, being the amount that each DIT Unitholder is required to pay in respect of the acquisition of each DDF Unit (and which will be applied on the DIT Unitholder's behalf from the proceeds of the stapling distribution). The DDF Units will be taken for CGT purposes to be acquired by each DIT Unitholder when they are issued pursuant to the Transaction (being the Issue Date).

2.2.4 Restructured DOT Units issued to DIT Unitholders

The first element of the cost base of each Restructured DOT Unit issued to a DIT Unitholder will be \$0.20, being the amount that each DIT Unitholder is required to pay in respect of the acquisition of each Restructured DOT Unit (and which will be applied on the DIT Unitholder's behalf from the proceeds of the stapling distribution). The Restructured DOT Units will be taken for CGT purposes to be acquired by each DIT Unitholder when they are issued pursuant to the Transaction (being the Issue Date).

2.2.5 DRO Units issued to DIT Unitholders

The first element of the cost base of each DRO Unit issued to a DIT Unitholder will be \$0.002, being the amount that each DIT Unitholder is required to pay in respect of the acquisition of each DRO Unit (and which will be applied on the DIT Unitholder's behalf from the proceeds of the stapling distribution). The DRO Units will be taken for CGT purposes to be acquired by each DIT Unitholder when they are issued pursuant to the Transaction (being the Issue Date).

2.2.6 Stapling

The effect of stapling is to apply restrictions to the transferability of the individual units comprising the Stapled Security, such that each individual unit (i.e. a DDF Unit, a Restructured DIT Unit, a Restructured DOT Unit and a DRO Unit) will retain its legal character without any change of beneficial ownership. There will be no taxable event for CGT purposes in relation to the stapling of a Restructured DIT Unit to a DDF Unit, a Restructured DOT Unit and a DRO Unit pursuant to the Transaction.

2.2.7 Class Ruling

It is anticipated that the ATO will confirm the above analysis in a Class Ruling in respect of DIT Unitholders. Additionally, we have requested that the ATO

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confirm that certain other taxable events for CGT purposes will have no application to the Transaction and it is anticipated that such confirmation will also be provided in the Class Ruling in respect of DIT Unitholders.

2.3 DOT Unitholders

The CGT and income tax consequences discussed below will generally apply to Australian resident DOT Unitholders.

2.3.1 Merging of Existing DOT Units

For CGT purposes, if two or more CGT assets (such as each Existing DOT Unit) are merged into a single asset and the beneficial owner of the original assets and the merged asset remains the same, the merger will not be a taxable event for CGT purposes. In these circumstances each element of the cost base and the reduced cost of the merged asset (at the time of merging) is the sum of the corresponding elements of the cost base of each original asset.

Accordingly, the cost base and reduced cost base of each Restructured DOT Unit will be equal to the sum of the respective cost bases and reduced cost bases of the Existing DOT Units which give rise to the Restructured DOT Unit.

On the basis that the merging of Existing DOT Units will not be a taxable event for CGT purposes (because there will be no change in beneficial ownership of the DOT Units), a DOT Unitholder would generally be taken to have acquired the Restructured DOT Units at the time they acquired their Existing DOT Units.

2.3.2 DOT stapling distribution

The stapling distribution by DOT will not be a distribution of income of DOT and therefore, subject to the CGT provisions (discussed below), no amount of the stapling distribution should be included in the assessable income of a DOT Unitholder.

The stapling distribution of \$0.362 paid by DOT in respect of each Restructured DOT Unit will result in the cost base and reduced cost base in each Restructured DOT Unit being reduced by \$0.362. Any DOT Unitholder whose cost base in a Restructured DOT Unit at the time of the stapling distribution is less than \$0.362 will make a capital gain to the extent that such cost base is less than the \$0.362 stapling distribution. Certain DOT Unitholders who make a capital gain may be eligible for the CGT discount or indexation (see 5.2 below).

2.3.3 DDF Units issued to DOT Unitholders

The first element of the cost base of each DDF Unit issued to a DOT Unitholder will be \$0.20, being the amount that each DOT Unitholder is required to pay in respect of the acquisition of each DDF Unit (and which will be applied on the DOT Unitholder's behalf from the proceeds of the stapling distribution). The DDF Units will be taken for CGT purposes to be acquired by each DOT Unitholder when they are issued pursuant to the Transaction (being the Issue Date).

2.3.4 Restructured DIT Units issued to DOT Unitholders

The first element of the cost base of each Restructured DIT Unit issued to a DOT Unitholder will be \$0.16, being the amount that each DOT Unitholder is required to pay in respect of the acquisition of each Restructured DIT Unit (and which will be applied on the DOT Unitholder's behalf from the proceeds of the stapling

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distribution). The Restructured DIT Units will be taken for CGT purposes to be acquired by each DOT Unitholder when they are issued pursuant to the Transaction (being the Issue Date).

2.3.5 DRO Units issued to DOT Unitholders

The first element of the cost base of each DRO Unit issued to a DOT Unitholder will be \$0.002, being the amount that each DOT Unitholder is required to pay in respect of the acquisition of each DRO Unit (and which will be applied on the DOT Unitholder's behalf from the proceeds of the stapling distribution). The DRO Units will be taken for CGT purposes to be acquired by each DOT Unitholder when they are issued pursuant to the Transaction (being the Issue Date).

2.3.6 Stapling

The effect of stapling is to apply restrictions to the transferability of the individual units comprising the Stapled Security, such that each individual unit (i.e. a DDF Unit, a Restructured DIT Unit, a Restructured DOT Unit and a DRO Unit) will retain its legal character without any change of beneficial ownership. There will be no taxable event for CGT purposes in relation to the stapling of a Restructured DOT Unit to a DDF Unit, a Restructured DIT Unit and a DRO Unit pursuant to the Transaction.

2.3.7 Class Ruling

It is anticipated that the ATO will confirm the above analysis in a Class Ruling in respect of DOT Unitholders. Additionally, we have requested that the ATO confirm that certain other taxable events for CGT purposes will have no application to the Transaction and it is anticipated that such confirmation will also be provided in the Class Ruling in respect of DOT Unitholders.

3 Tax Consequences of Cash Sale and Exchange Facilities

3.1 Cash Sale Facility

3.1.1 DDF Unitholders

For CGT purposes, DDF Unitholders who elect to participate in the Cash Sale Facility will dispose of their DDF Units on the Effective Date.

3.1.1.1 Pre-CGT DDF Units

In respect of the disposal of DDF Units acquired or taken to have been acquired by a DDF Unitholder for CGT purposes prior to 20 September 1985 (Pre-CGT DDF Units), any capital gain or loss made on disposal under the Cash Sale Facility will be disregarded.

3.1.1.2 Post-CGT DDF Units

In respect of DDF Units acquired or taken to have been acquired by a Unitholder for CGT purposes on or after 20 September 1985 (Post-CGT DDF Units), a DDF Unitholder will make a capital gain if the sale price in respect of the disposal exceeds the cost base of the unit (which cost base may be subject to indexation – see 5.2 below). If the sale price in respect of the disposal of the DDF Unit is less than the reduced cost base of the unit, the DDF Unitholder will make a capital loss.

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In broad terms, the cost base of DDF Units is generally the amount the DDF Unitholder paid for them (including incidental costs of acquisition and disposal). The cost base may have been reduced if the DDF Unitholder has received any distributions from DDF where those distributions had any tax deferred (non-assessable) component.

Certain DDF Unitholders who make a capital gain may be eligible for the CGT discount (see 5.2 below).

3.1.2 DIT Unitholders

For CGT purposes, DIT Unitholders who elect to participate in the Cash Sale Facility will dispose of their Existing DIT Units on the Effective Date. Upon disposal of an Existing DIT Unit, a DIT Unitholder will make a capital gain if the sale price in respect of the disposal of the Existing DIT Unit exceeds the cost base of the Existing DIT Unit (which cost base may be subject to indexation – see 5.2 below). If the sale price in respect of the disposal of the Existing DIT Unit is less than the reduced cost base of the unit, the DIT Unitholder will make a capital loss.

In broad terms, the cost base for Existing DIT Units is generally the amount the DIT Unitholder paid for them (including incidental costs of acquisition and disposal). The cost base may have been reduced if the DIT Unitholder has received any distributions from DIT where those distributions had any tax deferred (non-assessable) component.

Certain DIT Unitholders who make a capital gain may be eligible for the CGT discount (see 5.2 below).

3.1.3 DOT Unitholders

For CGT purposes, DOT Unitholders who elect to participate in the Cash Sale Facility will dispose of their Existing DOT Units on the Effective Date. Upon disposal of an Existing DOT Unit, a DOT Unitholder will make a capital gain if the sale price in respect of the disposal exceeds the cost base of the unit (which cost base may be subject to indexation – see 5.2 below). If the sale price in respect of the disposal of the Existing DOT Unit is less than the reduced cost base of the unit, the DOT Unitholder will make a capital loss.

In broad terms, the cost base for Existing DOT Units is generally the amount the DOT Unitholder paid for them (including incidental costs of acquisition and disposal). The cost base may have been reduced if the DOT Unitholder has received any distributions from DOT where those distributions had any tax deferred (non-assessable) component.

Certain DOT Unitholders who make a capital gain may be eligible for the CGT discount (see 5.2 below).

3.2 Exchange Facility

3.2.1 DDF Unitholders

DDF Unitholders who elect to participate in the Exchange Facility will dispose of their DDF Units on the Effective Date.

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3.2.1.1 Pre-CGT DDF Units

In respect of DDF Units acquired or taken to have been acquired by a Unitholder for CGT purposes prior to 20 September 1985 (Pre-CGT DDF Units), any capital gain or loss made on disposal under the Exchange Facility will be disregarded.

When the Sale Bank transfers Stapled Securities to the (former) DDF Unitholder, the DDF Unitholder will be taken to have given consideration in respect of the acquisition of the Stapled Securities equal to the market value of the DDF Units at the Effective Date. It is anticipated that the ATO will confirm in the Class Ruling in respect of DDF Unitholders that it will accept the use of the volume weighted average price ("VWAP") for Stapled Securities over the first five days of trading on a deferred settlement basis as a proxy for the market value of the DDF Units. This price will be used to calculate the aggregate cost base of the Stapled Securities acquired under the Exchange Facility.

The cost base of each component of the Stapled Security should be determined on a reasonable basis of apportionment. It is anticipated that the ATO will confirm in the Class Ruling in respect of DDF Unitholders that the cost base of each DDF Unit, Restructured DIT Unit and Restructured DOT Unit may be determined in accordance with the stapling percentage for DDF, DIT and DOT (being 38.8%, 19.8% and 41.4%, respectively) and the cost base of each DRO Unit will be its issue price of \$0.002.

Stapled Securities acquired under the Exchange Facility will be taken to have been acquired by the Unitholder on the Effective Date and will be subject to the general CGT implications discussed in this report (see further 4 and 5 below).

3.2.1.2 Post-CGT DDF Units

In respect the disposal of DDF Units acquired or taken to have been acquired by a Unitholder for CGT purposes on or after 20 September 1985 (Post-CGT DDF Units), a DDF Unitholder will make a capital gain if the consideration in respect of the disposal of the Post-CGT DDF Unit exceeds the cost base of the unit (which cost base may be subject to indexation – see 5.2 below). If the consideration in respect of the disposal of the Post CGT DDF Unit is less than the reduced cost base of the unit, the DDF Unitholder will make a capital loss.

The consideration in respect of the disposal of DDF Units will be equal to the market value of the Stapled Securities received on exchange. It is anticipated that the ATO will confirm in the Class Ruling in respect of DDF Unitholders that it will accept the VWAP for Stapled Securities over the first five days of trading on a deferred settlement basis as being the market value of a Stapled Security for these purposes.

Certain DDF Unitholders who make a capital gain may be eligible for the CGT discount (see 5.2 below).

The cost base of each component of the Stapled Securities received will include the consideration provided in respect of the Stapled Securities being the market value of the DDF Units as outlined at 3.2.1.1 above.

Stapled Securities acquired under the Exchange Facility will be taken to have been acquired by the Unitholder on the Effective Date and will be subject to the general CGT implications discussed in this report (see further 4 and 5 below).

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3.2.2 DIT Unitholders

DIT Unitholders who elect to participate in the Exchange Facility will dispose of their Existing DIT Units on the Effective Date. Upon disposal of an Existing DIT Unit, a DIT Unitholder will make a capital gain if the consideration in respect of the disposal of the Existing DIT Unit exceeds the cost base of the Existing DIT Unit (which cost base may be subject to indexation – see 5.2 below). If the consideration in respect of the disposal of the Existing DIT Unit is less than the reduced cost base of the Existing DIT Unit, the DIT Unitholder will make a capital loss.

The consideration in respect of the disposal of Existing DIT Units will be equal to the market value of the Stapled Securities received on exchange. It is anticipated that the ATO will confirm in the Class Ruling in respect of DIT Unitholders that it will accept the VWAP for Stapled Securities over the first five days of trading on a deferred settlement basis as being the market value of a Stapled Security for these purposes.

Certain DIT Unitholders who make a capital gain may be eligible for the CGT discount (see 5.2 below).

When the Sale Bank transfers Stapled Securities to the (former) DIT Unitholder, the DIT Unitholder will be taken to have given consideration in respect of the acquisition of the Stapled Securities equal to the market value of the Existing DIT Units. It is anticipated that the ATO will confirm in the Class Ruling in respect of DIT Unitholders that it will accept the use of the VWAP for Stapled Securities over the first five days of trading on a deferred settlement basis, as a proxy for the market value of the Existing DIT Units. This price will be used to calculate the aggregate cost base of the Stapled Securities acquired under the Exchange Facility.

The cost base of each component of the Stapled Security should be determined on a reasonable basis of apportionment. It is anticipated that the ATO will confirm in the Class Ruling in respect of DIT that the cost base of each DDF Unit, Restructured DIT Unit and Restructured DOT Unit may be determined in accordance with the stapling percentage for DDF, DIT and DOT (being 38.8%, 19.8% and 41.4%, respectively) and the cost base of each DRO Unit will be its issue price of \$0.002.

Stapled Securities acquired under the Exchange Facility will be taken to have been acquired on the Effective Date and will be subject to the general CGT implications discussed in this report (see further 4 and 5 below).

3.2.3 DOT Unitholders

DOT Unitholders who elect to participate in the Exchange Facility will dispose of their Existing DOT Units on the Effective Date. Upon disposal of an Existing DOT Unit, a DOT Unitholder will make a capital gain if the consideration in respect of the disposal of the Existing DOT Unit exceeds the cost base of the Existing DOT Unit (which cost base may be subject to indexation – see 5.2 below). If the consideration in respect of the disposal of the Existing DOT Unit is less than the reduced cost base of the unit, the DOT Unitholder will make a capital loss.

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The consideration in respect of the disposal of Existing DOT Units will be equal to the market value of the Stapled Securities received on exchange. It is anticipated that the ATO will confirm in the Class Ruling in respect of DOT Unitholders that it will accept the VWAP for Stapled Securities over the first five days of trading on a deferred settlement basis as being the market value of a Stapled Security for these purposes.

Certain DOT Unitholders who make a capital gain may be eligible for the CGT discount (see 5.2 below).

When the Sale Bank transfers Stapled Securities to the (former) DOT Unitholder, the DOT Unitholder will be taken to have given consideration in respect of the acquisition of the Stapled Securities equal to the market value of the Existing DOT Units. It is anticipated that the ATO will confirm in the Class Ruling in respect of DOT Unitholders that it will accept the use of the VWAP for Stapled Securities over the first five days of trading on a deferred settlement basis as a proxy for the market value of the Existing DOT Units. This price will be used to calculate the aggregate cost base of the Stapled Securities acquired under the Exchange Facility.

The cost base of each component of the Stapled Security should be determined on a reasonable basis of apportionment. It is anticipated that the ATO will confirm in the Class Ruling in respect of DOT that the cost base of each DDF Unit, Restructured DIT Unit and Restructured DOT Unit may be determined in accordance with the stapling percentage for DDF, DIT and DOT (being 38.8%, 19.8% and 41.4%, respectively) and the cost base of each DRO Unit will be its issue price of \$0.002.

Stapled Securities acquired under the Exchange Facility will be taken to have been acquired on the Effective Date and will be subject to the general CGT implications discussed in this report (see further 4 and 5 below).

4 Holding Stapled Securities

4.1 Summary

Australian resident Unitholders holding Stapled Securities (each a Stapled Securityholder) will generally be taxable:

- on the Stapled Securityholder's share of the net income for tax purposes of DDF, DIT and DOT (including, in respect of foreign source income that forms part of the net income of DDF, DIT or DOT for tax purposes, any foreign tax credits attached to such foreign source income);
- on the tax deferred (non-assessable) component of distributions made in relation to a DDF Unit, Restructured DIT Unit or Restructured DOT Unit to the extent the non-assessable amount exceeds the cost base of the DDF Unit (acquired or taken to have been acquired for CGT purposes on or after 20 September 1985), Restructured DIT Unit or Restructured DOT Unit;
- on the amount of any distribution received from DRO and any franking credits attached to the distribution;

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- on any gain arising from the subsequent disposal of a Stapled Security (which comprises a DDF Unit, a Restructured DIT Unit, a Restructured DOT Unit and a DRO Unit).

4.2 Ownership of Stapled Securities - General

Stapled Securityholders will need to treat each component making up the Stapled Security separately for tax purposes, i.e. as a DDF Unit, a Restructured DIT Unit, a Restructured DOT Unit and a DRO Unit. That is:

- Stapled Securityholders will receive, and separately deal with the tax consequences of, distributions from DDF, DIT and DOT and (franked or unfranked) distributions from DRO; and
- when the Stapled Securities are disposed of, the Stapled Securityholder will have to separately consider the tax issues associated with the disposal of the DDF Units, Restructured DIT Units, Restructured DOT Units and DRO Units.

4.3 Income Distributions from DDF, DIT and DOT

DDF, DIT and DOT are not liable to income tax including CGT, provided Unitholders are presently entitled to all of the income of each Trust.

An Australian resident Unitholder will include in the Unitholder's assessable income in each year of income the Unitholder's share of the net income for tax purposes of DDF, DIT and DOT as advised by the RE of each Trust for that year.

This amount must be included in the Unitholder's assessable income of each income year even if the Unitholder does not receive it until after year end or the distribution is reinvested.

To the extent that a net capital gain is included in DDF's, DIT's or DOT's net income for tax purposes, the Unitholder will be regarded as having derived a capital gain equal to the Unitholder's proportionate share of such net capital gain. However, where discount capital gains treatment has been applied in calculating the net capital gain at the DDF, DIT or DOT level, the Unitholder will initially be required to gross-up the amount of the net capital gain (i.e. effectively, reverse the effect of the discount). This is required in order that the appropriate CGT treatment may be applied in accordance with the particular tax profile of the Unitholder (e.g. with respect to the application of any capital losses and discount capital gains treatment; refer 5.2 below).

Where a distribution from DDF, DIT or DOT exceeds the Unitholder's share of the net income of the relevant Trust for tax purposes, the excess may not be immediately taxable but will (unless it relates to the distribution of a discount capital gain) reduce the cost base and reduced cost base of the relevant DDF Units (acquired or taken to have been acquired on or after 20 September 1985 for CGT purposes), Restructured DIT Units or Restructured DOT Units held by the Unitholder (this excess is often called the tax advantaged, tax deferred or non-assessable component of the distribution). Once the Unitholder's cost base in the relevant Units is exhausted, the tax advantaged component of distributions will give rise to an immediate capital gain. Certain Unitholders may be eligible for the CGT discount in respect of such capital gains (see 5.2 below). However, any such capital gain will not be entitled to the benefit of the CGT discount if it occurs in

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the first 12 months after the acquisition of the relevant units as part of the Stapled Securities.

It should be noted that the DDF Units, Restructured DIT Units and Restructured DOT Units acquired pursuant to the Transaction (other than under the Exchange Facility) will have initial CGT cost bases as outlined at 2 above (i.e. \$0.20 each for DDF Units and Restructured DOT Units and \$0.16 each for Restructured DIT Units).

Where a distribution from DDF and DIT includes foreign-sourced income (e.g. dividends derived by DDF and DIT from DUI in the United States) and foreign taxes have been paid in relation to this income, Australian resident Unitholders are generally entitled to receive a foreign tax credit for an amount equal to the lesser of the foreign tax paid and the Australian tax payable in respect of such income.

4.4 Distributions from DRO

4.4.1 Treatment of DRO income for tax purposes

DRO will be treated as a company for limited tax purposes since it controls the RE business of DB RREEF Funds Management Limited. As a result, DRO will be required to pay tax on its taxable income at the company tax rate (currently 30%) and will be able to frank some distributions paid to Stapled Securityholders.

4.4.2 Effect of receiving distributions from DRO

Generally, an Australian resident Unitholder's assessable income will include any franking credits attached to distributions paid by DRO in addition to the amount of the distributions (even if any of the distributions are reinvested). Where franking credits are included in a Unitholder's assessable income, the Unitholder will generally be entitled to a corresponding tax offset.

Relevantly, to be generally eligible for the franking credit and tax offset, the Unitholder must have held the DRO Units at risk for at least 45 days (not including the date of acquisition or the date of disposal). This holding rule should not apply to a Unitholder if the Unitholder is an individual whose tax offset entitlement (on all units which give rise to frankable distributions, including shares and interests in shares) does not exceed \$5,000 for the income year in which the franked distribution is paid.

Where the Unitholder is an individual, complying superannuation entity or a registered charity (in certain circumstances), the Unitholder will generally be entitled to a refund to the extent that the franking credits attached to the Unitholder's distributions exceed the Unitholder's tax liability for the income year.

Where the Unitholder is a corporate unitholder, any franked distributions the Unitholder receives will generally give rise to a franking credit in the Unitholder's franking account.

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5 Disposal of Stapled Securities

5.1 General

As a consequence of stapling, the component units comprising a Stapled Security may not be traded separately. However, as discussed above at 4.2, each Stapled Security is a separate CGT asset. Accordingly, where there is a disposal of a Stapled Security, there will also necessarily be a disposal for CGT purposes of each of the individual units comprising that Stapled Security. That is, where a Stapled Security is disposed of, it will have to be accounted for as the disposal of a DDF Unit, a Restructured DIT Unit, a Restructured DOT Unit and a DRO Unit. The application of the tax concessions set out in 5.2 will also be relevant to a disposal of a DDF Unit, a Restructured DIT Unit or a Restructured DOT Unit as part of the Cash Sale Facility or the Exchange Facility.

Where consideration is received in connection with a transaction that relates to more than one CGT asset, the capital proceeds for each asset is so much of the total consideration as is reasonably attributable to that asset.

Accordingly, the capital proceeds referable to the disposal of each individual unit will be determined by apportioning the total capital proceeds received in respect of the disposal of the Stapled Security on a reasonable basis.

Upon disposal of a Stapled Security, an Australian resident Unitholder will make a capital gain if:

- the portion of the consideration reasonably attributable to a DDF Unit (acquired or taken to have been acquired for CGT purposes on or after 20 September 1985) exceeds the cost base of the DDF Unit;
- the portion of the consideration reasonably attributable to a Restructured DIT Unit exceeds the cost base of the Restructured DIT Unit;
- the portion of the consideration reasonably attributable to a Restructured DOT Unit exceeds the cost base of the Restructured DOT Unit; and/or
- the portion of the consideration reasonably attributable to the DRO Unit exceeds the cost base of the DRO Unit.

A Unitholder will make a capital loss if:

- the portion of the consideration reasonably attributable to a DDF Unit (acquired or taken to have been acquired for CGT purposes on or after 20 September 1985) is less than the reduced cost base of the DDF Unit;
- the portion of the consideration reasonably attributable to a Restructured DIT Unit is less than the reduced cost base of the Restructured DIT Unit;
- the portion of the consideration reasonably attributable to a Restructured DOT Unit is less than the reduced cost base of the Restructured DOT Unit; and/or
- the portion of the consideration reasonably attributable to the DRO Unit is less than the reduced cost base of the DRO Unit.

Importantly, as mentioned above, capital gains and losses in relation to DDF Units acquired, or taken to have been acquired for CGT purposes, prior to 20 September 1985 are disregarded and cannot be added to or offset against capital gains or

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losses realised in relation to DDF Units (acquired or taken to have been acquired on or after 20 September 1985), Restructured DIT Units, Restructured DOT Units or DRO Units (as the case may be) acquired pursuant to the Transaction.

In broad terms, the cost base of a DDF Unit, a Restructured DIT Unit, a Restructured DOT Unit and a DRO Unit is generally the amount the Unitholder paid for it (including incidental costs of acquisition and disposal) less any reductions for the tax advantaged component of distributions received (such as in the case of the stapling distributions to DDF Unitholders, DIT Unitholders and DOT Unitholders outlined at 2.1.1.2, 2.2.2 and 2.3.2 above). The initial cost bases of the DDF Units, Restructured DIT Units, Restructured DOT Units and DRO Units acquired pursuant to the Transaction or the Exchange Facility are outlined at 2 and 3, respectively, above.

Unitholders will have to determine the basis of apportionment of the sale proceeds across the DDF Units, Restructured DIT Units, Restructured DOT Units and DRO Units.

5.2 CGT concessions

The taxable amount of any capital gain may be reduced if certain CGT concessions apply.

5.2.1 CGT discount

If a Unitholder is an individual or a trustee who qualifies for the CGT discount (see discussion further below) and acquired (or is taken to have acquired) for CGT purposes DDF Units, Restructured DIT Units, Restructured DOT Units or DRO Units at least 12 months prior to the date of their disposal (or other eligible CGT event happening in relation to the relevant unit), the amount of the Unitholder's capital gain is reduced by the relevant CGT discount. In calculating the Unitholder's capital gain, the cost base must not be indexed.

As outlined above, Restructured DIT Units (other than those acquired either under the Exchange Facility or by DDF Unitholders and DOT Unitholders pursuant to the Transaction) or Restructured DOT Units (other than those acquired either under the Exchange Facility or by DDF unitholders and DIT Unitholders pursuant to the Transaction) are taken to be acquired when the Existing DIT Units or Existing DOT Units, respectively, were originally acquired by the DIT Unitholder or DOT Unitholder (i.e. they are not treated as being acquired at the time of the splitting and merging (respectively) of the Existing DIT Units and Existing DOT Units). However, in calculating the period of 12 months for CGT purposes, DDF Units, Restructured DDF Units, Restructured DIT Units or DRO Units acquired pursuant to the Transaction or the Exchange Facility will be considered to have been acquired by Stapled Securityholders on the Issue Date and the Effective Date respectively.

If a Unitholder who is an individual or trustee applies the CGT discount method, the Unitholder's taxable capital gain (after offsetting any current year capital losses or carry forward net capital losses from previous years) will be reduced by one-half (or one-third if the Unitholder is a trustee of a complying superannuation entity, approved deposit fund or pooled superannuation fund).

If the Unitholder is a company, the CGT discount is not available although it may be entitled to index the cost base (see below).

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5.2.2 Indexed cost base

For DDF Units, Restructured DIT Units, Restructured DOT Units or DRO Units acquired (or taken to have been acquired) for CGT purposes prior to 21 September 1999, Unitholders (other than those who are eligible for the CGT discount and therefore have not chosen to index the cost base) calculate any capital gain on disposal using a cost base indexed for inflation. If the Unitholder makes a capital loss, the reduced cost base is not indexed. The cost base may only be indexed for inflation up to 30 September 1999.

Unitholders who choose to calculate the capital gain using an indexed cost base cannot apply the CGT discount to the capital gain.

6 Goods and Services Tax ("GST")

No GST should generally be payable in respect of the transactions outlined above, including the conversion of the Existing DIT Units and the Existing DOT Units, the acquisition of the DDF Units, Restructured DIT Units, Restructured DOT Units and DRO Units, pursuant to the Transaction or the Exchange Facility. As these all involve dealings with securities, the various supplies will be input taxed (i.e. not subject to GST).

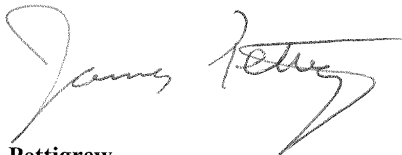
There may be an indirect GST cost for Unitholders who are registered for GST as input tax credits will generally not be available for GST charged to the acquirer in respect of supplies relating to the dealings with these securities (e.g. legal and other adviser fees).

7 Other Issues

Australian resident Stapled Securityholders must generally notify the RE for each of DDF, DIT, DOT and DRO of their Australian Tax File Number (or Australian Business Number if the Stapled Securities are held by the Unitholder in the course of carrying on an enterprise). If the required notifications are not provided, tax will be deducted from gross distributions made by DDF, DIT and DOT and from the unfranked component of distributions paid by DRO. The current rate of withholding will be 48.5% of the payment. However, Unitholders will be entitled to claim an income tax credit/refund (as applicable) in respect of the tax withheld in their income tax returns.

❖ ❖ ❖

Yours sincerely
GREENWOODS & FREEHILLS PTY LIMITED

per: 

James Pettigrew
Director

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19 August 2004

Dear Sirs

**Australian and US Federal Income Taxation considerations for investment into US property
by the Deutsche Industrial Trust and Deutsche Diversified Trust**

This letter has been prepared for inclusion in an Explanatory Memorandum and Product Disclosure Statement ("EM") dated on or about 25 August 2004 for the stapling of Units in four Deutsche Trusts. As part of the stapling proposal, it is also being proposed that the Deutsche Industrial Trust ("DIT") and the Deutsche Diversified Trust ("DDF") will acquire a majority interest in a portfolio of US industrial properties by investing in a US Real Estate Investment Trust (the "REIT"). Defined terms used in this letter have the same meaning as they do in the EM. DIT and DDF are collectively referred to in this letter as "the Trusts".

The purpose of this letter is to provide a broad summary of the Australian income tax implications and the United States Federal income tax implications of the proposed US investment to Unitholders of the Trusts who hold their Units in the Trusts on capital account. This letter is based on the Australian Tax law contained in the *Income Tax Assessment Act 1936* (as amended) and

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the *Income Tax Assessment Act 1997* (as amended) and the current interpretations of that law as at the date of this letter. In addition, this letter is based on US Federal income tax laws and current interpretations of those laws as at the date of this letter. It is noted that any of the laws previously referred to, or their interpretations, are subject to change by amendment of legislation, court decisions or changes of administrative practice by the Australian Tax Office or the US Internal Revenue Service.

The taxation information in this letter is, of necessity, general in nature. This letter can only provide a general overview of the Australian tax and US Federal income tax consequences that may be relevant for a particular investor. In addition the tax implications for an investor may differ depending on the particular circumstances of the investor. In particular, the information may not apply to an investor who is regarded as a trader in securities or who otherwise holds their investments as part of a business. Investments like the Trusts can present complex taxation issues for investors, and these may change over time. Accordingly, investors in the Trusts should not treat this summary as tax advice on their own tax position and are urged to seek their own independent tax advice based upon their own specific circumstances.

The information contained in this letter does not constitute financial product advice within the meaning of the Corporations Act 2001. PricewaterhouseCoopers 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 recipients. 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.

US Income Taxation

Taxation of the REIT

Status of the REIT

It is proposed that DDF and DIT will each own 50% of all of the common stock in a US corporation that will qualify as a Real Estate Investment Trust ("REIT") under US law. A nominal amount of preference shares in the REIT will be held by other persons (refer to REIT compliance issues below). The REIT will acquire an 80% interest in a joint venture entity which currently holds a portfolio of existing US industrial properties through interposed US entities. The remaining 20% interest in the joint venture entity will be held by another unrelated investor.

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It is intended that the US corporation will qualify as a REIT. There can be no assurance that the REIT will in fact qualify as a REIT in any period as this depends in part upon the REIT satisfying a number of qualifying conditions during the relevant periods. These are referred to as “the REIT tests” and are summarised below.

The REIT Tests

The US Federal income tax rules relating to REITs are contained in the *US Internal Revenue Code of 1986* (as amended) and prescribe very detailed requirements for qualification as a REIT relating to the structure of the entity and the ongoing operations of the entity. For example:

- Other than in its first year, a REIT must have a minimum of 100 persons who directly hold shares in the REIT for a minimum period in each year.
- Other than in its first year, a REIT must not, during the last half of each taxable year, have more than 50% of the value of the outstanding stock owned, directly or indirectly, by five or fewer “individuals” (as defined in the US Federal income tax rules to include specified entities, and to provide for certain “look through” rules).
- There are tests relating to the underlying assets of the REIT, such as a requirement that at least 75% of the value of total assets must be represented by interests in real property, cash, cash items and certain government securities.
- There is a 75% of gross income test requiring at least 75% of a REIT’s gross income to be real property income which includes rents from real property, real estate mortgage interest, gains from the sales of real estate assets (other than from the disposition of “dealer” property) and certain related income items.
- There is a 95% of gross income test requiring at least 95% of a REIT’s gross income include qualifying income included in the 75% gross income test, interest and dividends.
- There is a distribution requirement for a REIT to distribute at least 90% of its REIT taxable income in respect of any year.
- A REIT must meet certain other organisational requirements, including (i) being managed by one or more trustees or directors; (ii) the beneficial ownership of the REIT must be evidenced by transferable shares or by transferable certificates of beneficial interest; (iii) the REIT must be taxable as a US corporation (but for the special rules applicable to REITs); and (iv) the REIT must not be a “financial institution” or an “insurance company” as those terms are defined under relevant US Federal income tax laws.

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There have been various proposals to amend the US Federal income tax law applying to REITs to prevent entities that are controlled by another entity from qualifying as a REIT. Although not implemented, these proposals would have adversely impacted on REITs such as the REIT acquired by the Trusts. We note that the previous proposals to change the law have not attempted to apply to REITs which had existing investments at the date the proposals were announced. It is not possible at this stage to determine whether similar proposals will be introduced in the future and what impact (if any) they will have on the REIT.

Qualifying as a REIT - Tax Treatment

In any year in which the entity qualifies as a REIT it generally will not be subject to US Federal income tax on REIT taxable income to the extent that such income is distributed to shareholders. However there are a number of cases in which a REIT may be subject to US Federal income tax including the following:

- Normal corporate income tax will apply on any undistributed REIT taxable income, including undistributed net capital gains.
- Any net income from the sale of property in the ordinary course of a trade or business (i.e., dealer sales) will be subject to tax at a rate of 100%.
- If a REIT fails to satisfy either the 75% or the 95% gross income tests, but otherwise maintains its qualification as a REIT, it will be subject to a penalty rate of tax on the excess gross income, as adjusted by certain formulae.
- If a REIT fails to distribute 85% of its REIT ordinary income plus 95% of its REIT capital gain net income in a calendar year then a 4% excise tax is applied to the excess.
- If a REIT enters into a transaction with a taxable REIT subsidiary (as that term is defined in the relevant US Federal income tax laws) on other than an "arms-length" basis, then certain income may be subject to a 100% penalty tax.
- Certain subsidiaries of the REIT may elect to be treated as taxable corporations.

Failure to qualify as a REIT - Tax Treatment

If the REIT fails to qualify as a REIT for US Federal income tax purposes in any year it will be subject to tax on its taxable income at the normal US corporate tax rate. Distributions to its

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shareholders would not be deductible to the REIT, and the minimum distribution requirements will no longer apply. The ordinary dividend component of distributions may also be subject to US withholding tax. Unless entitled to relief under specific statutory provisions, the REIT would be disqualified from re-electing for taxation as a REIT for the four taxable years following the year in which qualification was lost.

If the REIT fails to qualify as a REIT, potentially significant tax liabilities could arise. This would adversely affect the distributions available from the REIT and subsequently the distributions from the Trusts to Unitholders.

State and local income taxes

The REIT may be subject to state or local income tax in the jurisdictions in which it holds properties.

Taxation of distributions from the REIT to the Trusts

Ordinary Dividends

Distributions made by a REIT from its "earnings and profits", that are not attributable to capital gains, are referred to as ordinary dividends and are generally subject to US withholding tax at the rate of 30%. The US-Australia income tax treaty ("the Treaty") should apply and a reduced rate of withholding tax of 15% will be available where the ordinary dividend is paid to a Listed Australian Property Trust ("LAPT").

However, if the responsible entity of the LAPT knows, or has reason to know, that a Unitholder owns 5% or more of the Units in the LAPT, then for the purposes of the Treaty, the Unitholder will be deemed to hold the same proportion of the Trust's direct interest in the REIT and will be deemed to be beneficially entitled to the REIT dividend paid in respect of that interest. Consequently, the US withholding tax payable on the dividend attributable to such 5% or more Unitholders will be 30% unless one of the following is satisfied by the Unitholder (in which case, the withholding tax rate would be 15% under the Treaty):

- The Unitholder is an individual that is treated as holding an interest directly and of not more than 10% in the REIT;
- The dividends from the REIT are paid with respect to a class of stock that is publicly traded and the Unitholder is treated as holding an interest of not more than 5% of any class of the REIT shares. For this purpose, REIT shares held by an LAPT will be deemed to be publicly traded; or

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- The Unitholder is treated as holding an interest of not more than 10% in the REIT and the gross value of no single interest in real property held by the REIT exceeds 10% of the gross value of the REIT's total interest in property.

Given the current characteristics of the properties held by the REIT (ie. no single asset exceeds 10% of the total value of all assets), the US withholding tax on ordinary dividends paid by the REIT to DIT and DDF will be 15% where there are no Unitholders holding more than 10% of the Units in those Trusts.

Where there are one or more Unitholders holding more than 10% of the Units in the Trusts, withholding tax at 30% would apply in respect of the proportion of the REIT dividends attributable to those Unitholders. The increased withholding tax will be borne by the Unitholder to which it relates such that the particular Unitholder will receive a lower net distribution (ie net of 30% rather than 15% withholding tax) and a higher foreign tax credit. Refer below under the heading "Taxation position of Unitholders in the Trusts as a Result of the REIT Investment" for details.

Return of Capital

Distributions by the REIT in excess of its earnings and profits, not attributable to capital gains, will be treated as a return of capital. Unless a withholding tax certificate is obtained which permits a reduction of withholding tax, the REIT is obliged to apply either the ordinary withholding tax rate of 30% (or lower treaty rate of 15%, if applicable) or the Foreign Investment in Real Property Tax Act (FIRPTA) withholding tax rate of 10% to these distributions. But once it is subsequently established that the distributions were in fact not from earnings and profits, the Trusts may seek a refund of the tax withheld from the US Internal Revenue Service (provided that the distribution is not in excess of the cost base of the REIT shares).

A return of capital is not taxable when received unless and until the total returns of capital received by the Trusts exceed the cost base of the REIT shares. Returns of capital, once they exceed the Trusts' cost base in the REIT shares will be treated as a capital gain and be subject to US Federal income tax pursuant to FIRPTA, which is further explained below.

Capital gain dividends

Distributions from the REIT which are attributable to capital gains from dispositions of US real property interests will be designated as capital gain dividends and subject to 35% withholding tax under FIRPTA. In the hands of the Trusts, such distributions may be considered effectively connected with a US trade or business and taxable at the normal US company tax rate. If so, a

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credit for the 35% withholding tax under FIRPTA should be available. In addition, the US branch profits tax could apply at a rate of 30%, reduced by the Treaty to 5%.

Taxation of gains on sale of shares in the REIT

Any gain made by the Trusts on sale of their shares in the REIT will likely be subject to US Federal income tax under FIRPTA at the US company tax rate. The sale of shares in the REIT by the Trusts will initially be subject to FIRPTA withholding at the rate of 10%, applied to the gross sale price of the REIT shares. A credit for the 10% withholding tax under FIRPTA should be available to be applied against any ultimate income tax due by the Trusts, with any excess refundable to the Trusts.

Australian Income Taxation

Taxation of the Trusts

Tax position of the Trusts

The mere acquisition of shares in the REIT should not change the tax status of the Trusts (ie it should not result in DIT and DDF being public trading trusts). However, the public trading trust test is a yearly test and will ultimately depend upon the actual activities of each of the Trusts (and controlled entities) in any year.

Accrual Taxation Regime

Under the proposed ownership structure, the REIT will represent a Controlled Foreign Company (CFC) for Australian tax purposes. However, specific exemptions that apply to REITs that hold US real estate will mean that there will be no application of the CFC rules to the Trust in respect of its shareholding in the REIT provided it continues to hold (directly or indirectly) only US real estate assets. There are similar exemptions under the Foreign Investment Fund (FIF) rules so that the accruals taxation consequences of the FIF rules will not impact the Trust in respect of its shareholding in the REIT.

REIT distributions received by the Trusts

It is expected that the Trusts will receive distributions from the REIT that for US tax purposes will be ordinary dividends and returns of capital (refer above).

A distribution received from the REIT will be treated as a dividend for Australian tax purposes, except where the distribution is debited to the share capital account of the REIT (and that account

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is not a "tainted share capital account" for the purposes of Australian tax law). The component of the REIT distribution that is treated as a dividend for Australian income tax purposes will be included in the assessable income of the Trusts and will be grossed up for any US withholding tax suffered on the dividend. A foreign tax credit equal to the US withholding tax suffered should be available for distribution to Unitholders.

A distribution from the REIT which is not a dividend for Australian income tax purposes will constitute a return of capital, and will not be included in the taxable income of the Trusts. These amounts will reduce the cost base of the REIT shares held by the Trusts. To the extent that such distributions exceed the cost base of the REIT shares, the excess will be treated as a capital gain to the Trusts. The Trusts may be entitled to the capital gains tax concession provided all the appropriate conditions are met.

Disposal of REIT shares

Disposal of any of the REIT shares owned by the Trusts, would trigger a capital gain tax ("CGT") event for Australian tax law purposes. A capital gain would arise if the sale proceeds exceed the cost base. The cost base should be reduced for distributions previously received from the REIT that are treated as a return of capital for Australian income tax purposes. A capital loss would arise if the sale proceeds were less than the cost base. The Trusts would be entitled to the CGT concession on any capital gain arising on the disposal if the REIT shares have been held for 12 months or more at the time of disposal. The capital gain component of the distribution by the Trusts must be taken into account by Unitholders in the calculation of their net capital gain.

Taxation position of Unitholders in the Trusts as a Result of the REIT Investment

US tax obligations

There should be no US tax obligations arising to Unitholders as a result of the investment in the REIT other than as previously discussed, relating to withholding taxes.

Taxation of distributions

The taxable component of a distribution received from the Trusts will include that part of the distribution from the REIT paid in the year of income that is treated as a dividend for Australian income tax purposes. The Unitholders will also include in their assessable income the US withholding tax that is attributable to their unitholding in the Trust (refer above). That is, if a Unitholder is deemed to hold 10% or more of the REIT ("Large Unitholder"), the dividend from the REIT attributable to his/her unitholding in the Trusts will be subject to 30% withholding tax. It is intended that such Large Unitholder will be entitled to the lower net REIT dividend (ie after 30%

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rather than 15% withholding tax) and will also be required to include this increased withholding tax amount in their assessable income.

Foreign tax credits

Unitholders in the Trusts should be entitled to foreign tax credits against their Australian tax liability on their share of income derived by the Trust from the REIT, up to the amount of US withholding tax they have indirectly suffered (e.g. for a Large Unitholder, the withholding tax suffered indirectly should be 30% rather than 15%). These foreign tax credits may be used by Unitholders to offset against their Australian tax payable on foreign source income of the passive class. For this purpose, the income derived by a Unitholder from the Trusts will retain the character that it had to the Trusts. If the foreign tax credits cannot be used by a Unitholder in the year they arise, they may be carried forward by the Unitholder for up to five years to be used against future Australian tax payable on foreign source income of the same class.

Should the Trusts suffer US tax in respect of a disposal of the REIT shares, then a foreign tax credit should be available to Unitholders on a similar basis to the paragraph above.

Yours faithfully

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

Manuel Makas
Partner
Tax Services

Part C

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13 Replacements of DDF, DIT and DOT Constitutions

13.1 Replacement of DDF Constitution

The rights, powers and duties of the DDF Unitholders and the responsible entity of DDF are governed by the terms of DDF's Constitution, as well as by the Corporations Act, ASIC rulings, the Listing Rules (and applicable waivers) and the general law relating to trusts.

At the DDF Unitholders' Meeting, Unitholders will be asked to consider and vote upon a resolution to replace the Old DDF Constitution with the New DDF Constitution.

The Unitholders of DIT and DOT are also being asked to consider and vote upon resolutions to adopt new constitutions which are identical in all material respects to the New DDF Constitution which is, in turn, identical in all material respects to the DRO Constitution.

Standardisation of the constitutions across all Trusts will facilitate the management and administration of the Trusts.

This section summarises the key differences between the Old DDF Constitution and the New DDF Constitution. This summary should be read in connection with the summary of the New DDF Constitution set out in Section 13.4.

References in this section to a Unit or Unitholder are references to a DDF Unit or DDF Unitholder unless indicated otherwise.

(a) Addition of stapling provisions

The Old DDF Constitution does not include any provisions relating to stapling of Units. The New DDF Constitution contains provisions enabling the Stapling to proceed and providing the legal framework in which Stapling will operate in the future.

The New DDF Constitution includes provisions (in a new Schedule 4) which permit the Transaction to proceed by, among other things, authorising DRFM, as the new Responsible Entity, to:

- (1) make a capital distribution to each Unitholder, apply that capital distribution on behalf of each Unitholder to subscribe for Units in DIT, DOT and DRO and implement the Stapling;
- (2) transfer to the Sale Bank the Units held by any Unitholder participating in the Cash Sale and Exchange Facilities;
- (3) issue Units to FAP and cause the stapling of those Units to Units issued to FAP by DIT, DOT and DRO; and

- (4) act as agent for each Unitholder to do all things necessary or desirable to give effect to the above.

Other provisions in the New DDF Constitution in relation to stapling in general include the following:

- (5) **(power to staple Units)** DRFM is authorised to cause Units to be stapled to other securities;
- (6) **(stapled security register)** DRFM must maintain a stapled security register which must contain details of all stapled securities, the names of the stapled security holders and the number of stapled securities held;
- (7) **(Unstapling)** DRFM may only unstaple Units with the approval by a special resolution of Unitholders and the holders of each stapled entity;
- (8) **(restriction on issuance of Units)** While the Units are stapled, DRFM must not offer, issue (including upon the exercise of an option) or sell a Unit unless the same number of each security that is stapled to issued Units at that time is also offered, issued or sold to the same person at the same time;
- (9) **(reorganisation of Units)** DRFM may not consolidate, divide, cancel or otherwise reorganise any Units unless an equivalent reorganisation is simultaneously made to the securities which are stapled to the Units;
- (10) **(restriction on issue of new class of Units)**
If the constitutions of any of the entities whose securities are stapled to Units prevent the issue of any new class of securities without the consent of the holders of the stapled securities, DRFM may not issue any new class of Units different from any currently issued Units without the approval of an ordinary resolution of Unitholders;
- (11) **(restriction on transfer)** While the Units are stapled DRFM may not register a transfer or transmission of any Unit other than as a part of the stapled security; and
- (12) **(restriction on amendments affecting stapling provisions)** DRFM must obtain the consent of each other stapled entity in connection with any amendment to DDF's constitution that either directly affects the terms on which the Units are stapled or removes any restrictions on the transfer of a stapled Unit (unless all other securities stapled to the Unit are simultaneously released from the same transfer restriction).

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(b) Consistency with constitutions of other Trusts

The following are some of the more significant changes that are proposed to be made to the Old DDF Constitution as part of the standardisation of the constitutions of each of the Trusts. They include provisions which reflect best practice in constitutional drafting and changes in the Corporations Act and ASIC and ASX policy not reflected in the Old DDF Constitution.

- (1) **(pricing of Units)** The Old DDF Constitution provides that while the Units are quoted on the ASX, the responsible entity may issue Units at an issue price equal to 98% of the Market Price (as defined), rounded to the number of decimal places as the responsible entity deems appropriate. The responsible entity may make allowance for any differences in the entitlements that the new Units may have compared to any Units currently on issue.

The New DDF Constitution does not contain this specific exception to the requirement that Units be issued at Market Price while they are currently listed on the ASX.

The New DDF Constitution provides for the issue of Units as part of Stapled Securities at a price determined by the responsible entity, provided that the aggregate of the issue price of the Unit and any other securities to which it is stapled is equal to the Market Price (as defined) of a Stapled Security.

- (2) **(placements)** The New DDF Constitution permits the responsible entity to issue Units as part of Stapled Securities while DDF is listed and Stapled Securities are quoted on the ASX and not suspended from quotation (other than temporarily) at an issue price determined by it, provided that the issue price is equal to the price determined pursuant to a bookbuild arranged by a reputable investment bank with experience arranging bookbuilds in the Australian equity market and DDF's auditor has provided written certification that the bookbuild was conducted in accordance with normal market standards.

The issue of Units must be

- a placement to professional investors for which purpose the issue price is calculated or made within 15 days of the date of the bookbuild; or

- an issue pursuant to a PDS lodged with ASIC within 15 business days of the date of calculation of the issue price pursuant to the bookbuild.

The Old DIT Constitution does not contain provisions of this kind.

The New DDF Constitution also permits the responsible entity to issue Units as part of Stapled Securities while DDF is listed and Stapled Securities are quoted on the ASX and not suspended from quotation (other than temporarily) at an issue price determined by it if the issue is not to the responsible entity or a person associated with it and either;

- the amount by which the issue price of the Stapled Securities is less than the Market Price of Stapled Securities (as defined) does not exceed 50%; and
- the issue of Units would not, immediately after the issue and when aggregated with Units issued pursuant to this power up to one year previously other than issues subsequently ratified by Unitholders, comprise more than 15% (or such other percentage as may be permitted from time to time by both the Corporations Act and the Listing Rules) of all Units on issue or all Units on issue in the class of those issued,

or:

- Unitholders approve the issue;
- if the Units are to be issued in a particular class, Unitholders in that class approve the issue;
- unless the responsible entity reasonably considers that the issue will not adversely affect the interests of Unitholders in another class, Unitholders in that other class approve the issue;
- any notice of meeting to vote on the issue contains particulars of the use to be made of the money raised by the issue;
- an approval for these purposes is given by special resolution of Unitholders holding at least 25% by value of the Units of Unitholders entitled to vote on the question at the meeting; and

13 Replacements of DDF, DIT and DOT Constitutions

- the special resolution would pass even if the votes of any person being issued Units and its associates were not counted.

The Old DDF Constitution contains provisions to similar effect, however the discount at which the responsible entity is permitted to issue Units under a placement is greater in the New DDF Constitution (50% v 30% in the Old DDF Constitution).

- (3) **(Rights issues)** Under the New DDF Constitution, the responsible entity may issue Units at an issue price determined by it pursuant to an offer made at substantially the same time to only and all the then Unitholders if:

- all the Units offered are in the same class;
- if the Units form part of Stapled Securities, the issue price of all Stapled Securities offered is the same and is not less than 50% of the Market Price (as defined) of Stapled Securities on the ASX on the business day preceding the day on which the intention to make the issue or offer is announced on the ASX; and;
- the amount of Units offered to each Unitholder is proportionate to the value of that Unitholder's holding of Units.

The Old DDF Constitution contains provisions to similar effect, however the discount at which the responsible entity is permitted to issue Units under a rights issue is greater in the New DDF Constitution.

- (4) **(Distribution reinvestment)** Under the New DDF Constitution, the responsible entity may issue Units at an issue price determined by it pursuant to a distribution reinvestment arrangement where:

- the whole or part of a Unitholder's distribution entitlement is applied in payment for the subscription for Units;
- each Unitholder may from time to time elect to participate in that arrangement as to the whole or some proportion of the distribution entitlement which is or would otherwise be payable to it;
- all the Units issued under the arrangement are in the same class;

- the issue price of all Units issued pursuant to the arrangement at substantially the same time is the same; and

- if the Units form part of Stapled Securities, the issue price of the Stapled Securities is not less than 90% of the Market Price (as defined) of a Stapled Security.

The provisions of the Old DDF Constitution concerning distribution reinvestment are not materially different to those in the New DDF Constitution.

- (5) **(Unitholder purchase plans)** Under the New DDF Constitution, Units may be issued as part of Stapled Securities at a price determined by the responsible entity which is less than the Market Price (as defined) of Stapled Securities during a specified period during the 30 days prior to the offer or issue of the Units, pursuant to Unitholder purchase plans if the offer for the issue of Stapled Securities is made on a non-renounceable basis and on the same terms and conditions to all Unitholders or all Unitholders of a particular class. No Unitholder issued with Stapled Securities pursuant to such a plan may be issued with Stapled Securities with an application price totalling more than A\$5,000 in any consecutive 12 month period. The Old DDF Constitution does not contain provisions of this kind.

- (6) **(Market Price)** The methodology for calculating Market Price (as defined) under the New DDF Constitution is described in Section 13.4(d).

Under the Old DDF Constitution, Market Price is based on the average weighted market price of fully paid Units sold on the ASX during normal trading during the five trading days immediately preceding the relevant date (assuming there has been a sale on the ASX during that period).

If there has been no sale during normal trading during that 5-day period, the Market Price will be the last market price immediately preceding the relevant date.

If, on some or all of those five trading days, the Units have been quoted on the ASX as "with distribution" (including distribution of assets in specie or "with entitlement" (including any rights or options distributable with respect to an Unitholder's holdings of Units) and on other days

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the Units have been quoted “without distribution” or “without entitlement”, then the weighted average market price of the Units will be calculated by reducing the market price of the “with distribution” or “with entitlement” Units in an amount equal to the amount of the distribution or the value of the entitlement. The value of any entitlements will be determined either by referencing the weighted average trading price for entitlements of that type, or, if the entitlements are not traded, by a member of the ASX nominated by the chairman of the ASX.

Consequently, the primary differences between the methodology to be used to determine Market Price under the Old DDF Constitution and the New DDF Constitution are as follows:

- Under the Old DDF Constitution, the primary method of determining Market Price is the average weighted trading price of the Units on the ASX during the five preceding days, assuming that there has been at least one sale recorded during that period. Under the New DDF Constitution, Market Price is calculated over a period of ten business days, using the recorded trading price for all sales during that period (regardless of whether a sale has been recorded on any particular day in that period) but if the responsible entity considers the period of ten business days to be inappropriate it can extend or reduce the period or change the timing of the period.
- The New DDF Constitution does not contain any provisions that explicitly deal with calculating the weighted average in connection with “with distribution” or “with entitlement” Units.
- Unlike the New DDF Constitution, the Old DDF Constitution does not authorise the responsible entity to appoint an independent valuer to set the Market Price if the responsible entity believes that the primary methodology will not produce a fair representation of the market price of the Units.

- (7) **(Options)** Under the Old DDF Constitution, the responsible entity is authorised to issue options for any or no consideration, subject to the Corporations Act, the Listing Rules and any applicable ASIC relief. The price at the time of exercise for each Unit issued under the option cannot be less than 50% of the Market Price for Units.

Under the New DDF Constitution, the responsible entity may issue options for subscription in accordance with their terms of offer and terms of issue. Options may be issued at the Market Price (as defined) for options on the ASX and the responsible entity may make placements and rights issues of options. The rules governing such placements and rights issues correspond to those governing placements and rights issues of Units, except that options may not be issued at a price calculated in accordance with a bookbuild, as described in the first paragraph of “placements” above.

The terms of offer and terms of issue of an option must be notified to each person to whom an offer of options is made and, if such a person subscribes for options, bind the subscriber. An optionholder may only exercise an option in accordance with its terms of issue. On termination of DDF, all options lapse and, subject to the payment of any amounts specifically payable to optionholders under the New DDF Constitution, the liabilities of the responsible entity cease in respect of each option.

Options confer no interest in the assets of DDF on optionholders, merely those rights conferred on them by the New DDF Constitution, their terms of issue and the Listing Rules (if applicable). Optionholders are not entitled to any distribution of income or capital on a winding up of DDF but have a right to receive or inspect any document which is sent to or may be inspected by Unitholders.

The responsible entity may cancel, redeem or buy an option or its rights of exercise in accordance with its terms of issue and the Listing Rules and in so doing must pay the relevant optionholder any amount to which it is entitled under the option's terms of issue. Options may only be cancelled, redeemed or repurchased in this way in proportion to the number of options held by each optionholder on a date determined by the responsible entity.

13 Replacements of DDF, DIT and DOT Constitutions

- (8) **(foreign unitholders)** Under the New DDF Constitution the responsible entity may exclude foreign Unitholders from rights offers, distribution reinvestment programs and Unitholder purchase plans if it reasonably considers that it would not be unfair to foreign Unitholders and in the best interests of other Unitholders. The Old DDF Constitution does not have any corresponding provisions.
- (9) **(fee structure)** Under the Old DDF Constitution, the responsible entity is entitled to a management fee being:
- in respect of each month, 3.1% of the gross income of the Trust; and
 - a daily fee calculated as follows:
 $(0.31\% \times \text{total tangible assets on that day})/365$

Where the Trust owns land and buildings and a person other than the responsible entity has not been appointed to perform property management services, the responsible entity is also entitled to be paid property management fees, as determined from time to time by the responsible entity.

Under the Old DDF Constitution, the fees accrue daily and are calculated monthly based on the value of the assets of the Trust at the end of the relevant month. They are payable within seven days of the end of each month.

Under the New DDF Constitution, the responsible entity is only entitled to a fee based only on the gross asset value of the Trust, calculated at the rate of 1% per annum (although the responsible entity currently intends to charge a maximum of 0.45% per annum). The fee accrues daily and is calculated on a monthly basis on the last day of each month and is payable monthly in arrears. There are no explicit provisions relating to separate property management fees.

- (10) **(asset valuation)** Under the Old DDF Constitution, the responsible entity generally has discretion to value the assets of the Trust when it chooses. However, the responsible entity must not cause an asset to be valued if it considers it inappropriate to do so because the asset is undergoing, or being appraised for, redevelopment or sale. The assets are to be valued at current market value in a manner determined by the responsible entity

and a copy of the valuation must be provided to the Trust's auditor prior to implementation. Copies of all valuations must be given to the Trust's auditors.

Under the New DDF Constitution, the responsible entity may deviate from the market value method of valuation if it determines that there is no market value for the asset or if this method does not represent the fair value of the asset. There are no provisions in the New DDF Constitution requiring the responsible entity to give copies of valuations to the Trust's auditors.

- (11) **(income and distributions)** Under the Old DDF Constitution, income distributions are annually at the end of June and the responsible entity must distribute all amounts to Unitholders within 2 months of the end of each distribution period.

The New DDF Constitution provides that distribution periods for the Trust will be six month periods, ending on 30 June and 31 December in each year (or such other periods as the responsible entity may determine in its discretion). The responsible entity must distribute all amounts to Unitholders within 3 months of the end of each distribution period, unless the responsible entity determines that it is in the best interests of the Unitholders to delay the distribution.

Under the New DDF Constitution, the responsible entity may at any time satisfy its distribution obligations to a Unitholder in Units, rather than cash, and may retain any otherwise distributable amounts in satisfaction of any amounts payable to the responsible entity by the Unitholder. The Old DDF Constitution does not give the responsible entity this power.

Refer to Section 13.4 for a description of the impact of foreign tax credits on distributions made under the New DDF Constitution.

- (12) **(liens for amounts owing)** The Old DDF Constitution provides that the responsible entity has a right of forfeiture in respect of partly paid Units but does not provide for a lien. The New DDF Constitution grants the responsible entity a first and paramount lien over Units and any distributions payable in respect of any amounts owing by a Unitholder to the responsible entity.

13 Replacements of DDF, DIT and DOT Constitutions

(13) **(right of indemnity)** The right of the responsible entity to be indemnified out of the assets of the Trust for any liability incurred by it in the performance of its duties, the exercise of its powers, the course of its office or in relation to the administration of the Trust is similar under the Old DDF Constitution and the New DDF Constitution although under the New DDF Constitution:

- (A) a schedule (Schedule 2) specifies in detail most (but not all) of the costs of the Trust for which the responsible entity is entitled to be indemnified out of the assets of the Trust; and
- (B) the responsible entity may be indemnified out of Trust assets in respect of liabilities properly incurred notwithstanding that the Trust may have suffered a loss or diminished in value as a consequence of any unrelated act, omission or breach of trust by the responsible entity or any person or entity acting on its behalf.

(14) **(limitation of liability)** The Old DDF Constitution provides that the responsible entity will not be liable to Unitholders for any loss suffered in respect of the Trust, provided the responsible entity has acted in good faith and without gross negligence. The New DDF Constitution provides that the responsible entity and its directors and officers are not personally liable to any Unitholder or any other person, except where the Corporations Act expressly provides otherwise.

In addition, the Old DDF Constitution specifies that the liability of the responsible entity to any person other than a Unitholder or an optionholder in respect of the Trust is limited to the responsible entity's ability to be indemnified out of the Trust's assets. In the New DDF Constitution, this limitation of liability is also extended to the responsible entity's liability to Unitholders and optionholders.

The New DDF Constitution also expressly states that, except where the Corporations Act provides otherwise, the responsible entity is not responsible for any costs incurred:

- (A) by any fraudulent or negligent conduct or any breach of duty or breach of trust by any agent, attorney, custodian or delegate or any of their agents or delegates;

- (B) by relying on any information, notice, resolution or other documents unless it reasonably believes that such item is not genuine or has not been passed or executed by the proper parties; or
- (C) by any failure of a third party to carry out an agreement with the responsible entity or any of its agents or delegates.

The Old DDF Constitution provides that the responsible entity is entitled to be indemnified out of the assets of the Trust to the extent permitted by the Corporations Act for the acts or omissions of its delegates or agents. The Old DDF Constitution also gives the responsible entity the power to act on any document which it believes in good faith to be the original or a copy of an appointment by a Unitholder to act as their agent for any purpose connected with the Trust or any other document in connection with the Trust on which it is reasonable for the responsible entity to rely. The other limitations of liability mentioned in (A), (B) and (C) above are not specifically addressed in the Old DDF Constitution.

(15) **(Unitholder liability)** Under the Old DDF Constitution, the responsible entity must ensure that any agreement pursuant to which the responsible entity borrows money on behalf of the Trust contains an acknowledgement by the other parties that the recourse of those parties is limited to the assets of the Trust and that they have no recourse to Unitholders. The New DDF Constitution does not contain such a provision, although the limitation of liability provisions in the New DDF Constitution provide that the liability of each Unitholder is limited to its investment in the Trust and the recourse of any creditor of the responsible entity is limited to the assets of the Trust.

(16) **(leverage)** The Old DDF Constitution prohibits the responsible entity from borrowing or incurring liability if to do so would cause the liabilities of the Trust to exceed 60% of its tangible assets. The New DDF Constitution contains no such restriction.

(17) **(quorum for meetings of Unitholders)** Under the Old DDF Constitution, a quorum of Unitholders may be constituted by at least 5 Unitholders present at a meeting either in person or by proxy who together hold at least 10% of all Units. The quorum requirements under the New DDF

13 Replacements of DDF, DIT and DOT Constitutions

Constitution do not take the size of a Unitholder's holdings into account, but instead require 20 Unitholders present in person or by proxy (in the case of meetings considering special or extraordinary resolutions) or 10 Unitholders present in person or by proxy (in all other cases).

- (18) **(compliance committee)** The New DDF Constitution contains a provision authorising the responsible entity to purchase and maintain insurance for current or former compliance committee members for liability incurred by any of them as a member of the compliance committee, including any reasonable costs of defence of any proceedings. The responsible entity must, to the extent not covered by insurance, indemnify any member of the Trust's compliance committee members out of the assets of the Trust for any costs or liabilities incurred by that person as a member of the compliance committee. The Old DDF Constitution has no analogous provisions.
- (19) **(notice of Unitholders' meetings)** Under the Old DDF Constitution, Unitholders had to be given at least ten days' notice of a Unitholder meeting. However, this provision is explicitly subject to the Corporations Act, which requires a minimum of 21 days prior notice. The New DDF Constitution eliminates this provision entirely, and consequently, the 21 day notice provided under the Corporations Act will apply.
- (20) **(rights issue)** The Old DDF Constitution, as amended, had two slightly inconsistent provisions relating to rights issues. The New DDF Constitution effectively adopts the provision most recently added to the Old DDF Constitution, which mirrors the terms set out ASIC Class Order 98/52.

13.2 Replacement of DIT Constitution

The rights, powers and duties of the DIT Unitholders and the responsible entity of DIT are governed by the terms of DIT's constitution, as well as by the Corporations Act, ASIC rulings, the Listing Rules (and applicable waivers) and the general law relating to trusts.

At the DIT Unitholders' Meeting, Unitholders will be asked to consider and vote upon a resolution to replace the Old DIT Constitution with the New DIT Constitution.

The Unitholders of DOT and DDF are also being asked to consider and vote upon resolutions to adopt new constitutions which are identical in all material respects to the New DIT Constitution which is, in turn, identical in all material respects to the DRO constitution.

Standardisation of the constitutions across all Trusts will facilitate the management and administration of the Trusts.

This section summarises the key differences between the Old DIT Constitution and the New DIT Constitution. This summary should be read in connection with the summary of the New DIT Constitution set out in Section 13.4.

References in this section to a Unit or Unitholder are references to a DIT Unit or DIT Unitholder unless indicated otherwise.

(a) Addition of stapling provisions

The Old DIT Constitution does not include any provisions relating to stapling of Units. The New DIT Constitution contains provisions enabling the Stapling to proceed and providing the legal framework in which Stapling will operate in the future.

The New DIT Constitution includes provisions (in a new Schedule 4) which permit the Transaction to proceed by, among other things, authorising DRFM, as the new responsible entity, to:

- (1) split the Units, make a capital distribution to each Unitholder, apply that capital distribution on behalf of each Unitholder to subscribe for Units in DOT, DDF and DRO and implement the Stapling;
- (2) transfer to the Sale Bank the Units held by any Unitholder participating in the Cash Sale and Exchange Facilities;
- (3) issue Units to FAP and cause the stapling of those Units to Units issued to FAP by DDF, DOT and DRO; and
- (4) act as agent for each Unitholder to do all things necessary or desirable to give effect to the above.

Other provisions in the New DIT Constitution in relation to stapling in general include the following:

- (5) **(power to staple Units)** DRFM is authorised to cause Units to be stapled to other securities;

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- (6) **(stapled security register)** DRFM must maintain a stapled security register which must contain details of all stapled securities, the names of the stapled security holders and the number of stapled securities held;
- (7) **(Unstapling)** DRFM may only unstaple Units with the approval by a special resolution of Unitholders and the holders of each stapled entity;
- (8) **(restriction on issuance of Units)** While the Units are stapled, DRFM must not offer, issue (including upon the exercise of an option) or sell a Unit unless the same number of each security that is stapled to issued Units at that time is also offered, issued or sold to the same person at the same time;
- (9) **(reorganisation of Units)** DRFM may not consolidate, divide, cancel or otherwise reorganise any DIT Units unless an equivalent reorganisation is simultaneously made to the securities which are stapled to the Units;
- (10) **(restriction on issue of new class of Units)**
If the constitutions of any of the entities whose securities are stapled to Units prevent the issue of any new class of securities without the consent of the holders of the stapled securities, DRFM may not issue any new class of Units different from any currently issued Units without the approval of an ordinary resolution of Unitholders;
- (11) **(restriction on transfer)** While the Units are stapled DRFM may not register a transfer or transmission of any Unit other than as a part of the stapled security; and
- (12) **(restriction on amendments affecting stapling provisions)** DRFM must obtain the consent of each other stapled entity in connection with any amendment to DIT's constitution that either directly affects the terms on which the Units are stapled or removes any restrictions on the transfer of a stapled Unit (unless all other securities stapled to the Unit are simultaneously released from the same transfer restriction).

(b) Consistency with constitutions of other Trusts

The following are some of the more significant changes that are proposed to be made to the Old DIT Constitution as part of the standardisation of the constitutions of each of the Trusts. They include provisions which reflect best practice in constitutional

drafting and changes in the Corporations Act and ASIC and ASX policy not reflected in the Old DIT Constitution.

- (1) **(pricing of Units)** The Old DIT Constitution provides that while the Units are quoted on the ASX, the responsible entity may issue Units at an issue price equal to 98% of the Market Price (as defined), rounded to the number of decimal places as the responsible entity deems appropriate. The responsible entity may make allowance for any differences in the entitlements that the new Units may have compared to any Units currently on issue.

The New DIT Constitution does not contain this specific exception to the requirement that Units be issued at Market Price while they are currently listed on the ASX.

The New DIT Constitution provides for the issue of Units as part of Stapled Securities at a price determined by the responsible entity, provided that the aggregate of the issue price of the Unit and any other securities to which it is stapled is equal to the Market Price (as defined) of a Stapled Security.

- (2) **(placements)** The New DIT Constitution permits the responsible entity to issue Units as part of Stapled Securities while DIT is listed and Stapled Securities are quoted on the ASX and not suspended from quotation (other than temporarily) at an issue price determined by it, provided that the issue price is equal to the price determined pursuant to a bookbuild arranged by a reputable investment bank with experience arranging bookbuilds in the Australian equity market and DIT's auditor has provided written certification that the bookbuild was conducted in accordance with normal market standards.

The issue of Units must be:

- a placement to professional investors for which purpose the issue price is calculated or made within 15 days of the date of the bookbuild; or
- an issue pursuant to a PDS lodged with ASIC within 15 business days of the date of calculation of the issue price pursuant to the bookbuild.

The old DIT Constitution does not contain provisions of this kind.

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The New DIT Constitution also permits the responsible entity to issue Units as part of Stapled Securities while DIT is listed and Stapled Securities are quoted on the ASX and not suspended from quotation (other than temporarily) at an issue price determined by it if the issue is not to the responsible entity or a person associated with it and either;

- the amount by which the issue price of the Stapled Securities is less than the Market Price of Stapled Securities (as defined) does not exceed 50%; and
- the issue of Units would not, immediately after the issue and when aggregated with Units issued pursuant to this power up to one year previously other than issues subsequently ratified by Unitholders, comprise more than 15% (or such other percentage as may be permitted from time to time by both the Corporations Act and the Listing Rules) of all Units on issue or all Units on issue in the class of those issued,

or:

- Unitholders approve the issue;
- if the Units are to be issued in a particular class, Unitholders in that class approve the issue;
- unless the responsible entity reasonably considers that the issue will not adversely affect the interests of Unitholders in another class, Unitholders in that other class approve the issue;
- any notice of meeting to vote on the issue contains particulars of the use to be made of the money raised by the issue;
- an approval for these purposes is given by special resolution of Unitholders holding at least 25% by value of the Units of Unitholders entitled to vote on the question at the meeting; and
- the special resolution would pass even if the votes of any person being issued Units and its associates were not counted.

- (3) **(Rights issues)** Under the New DIT Constitution, the responsible entity may issue Units at an issue price determined by it pursuant to an offer made at substantially the same time to only and all the then

Unitholders if:

- all the Units offered are in the same class;
- if the Units form part of Stapled Securities, the issue price of all Stapled Securities offered is the same and is not less than 50% of the Market Price (as defined) of Stapled Securities on the ASX on the business day preceding the day on which the intention to make the issue or offer is announced on the ASX; and;
- the amount of Units offered to each Unitholder is proportionate to the value of that Unitholder's holding of Units.

- (4) **(Distribution reinvestment)** Under the New DIT Constitution, the responsible entity may issue Units at an issue price determined by it pursuant to a distribution reinvestment arrangement where:

- the whole or part of a Unitholder's distribution entitlement is applied in payment for the subscription for Units;
- each Unitholder may from time to time elect to participate in that arrangement as to the whole or some proportion of the distribution entitlement which is or would otherwise be payable to it;
- all the Units issued under the arrangement are in the same class;
- the issue price of all Units issued pursuant to the arrangement at substantially the same time is the same; and
- if the Units form part of Stapled Securities, the issue price of the Stapled Securities is not less than 90% of the Market Price (as defined) of a Stapled Security.

- (5) **(Unitholder purchase plans)** Under the New DIT Constitution, Units may be issued as part of Stapled Securities at a price determined by the responsible entity which is less than the Market Price (as defined) of Stapled Securities during a specified period during the 30 days prior to the offer or issue of the Units, pursuant to Unitholder purchase plans if the offer for the issue of Stapled Securities is made on a non-renounceable basis and on the same terms and conditions to all Unitholders or all Unitholders of a particular class. No Unitholder issued with Stapled Securities pursuant to such a plan may be issued with Stapled

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Securities with an application price totalling more than A\$5,000 in any consecutive 12 month period. The Old DIT Constitution does not have any analogous provisions.

- (6) **(Market Price)** The methodology for calculating Market Price (as defined) under the New DIT Constitution is described in Section 13.4(d).

Under the Old DIT Constitution, Market Price of Units on any particular business day is to be based on the average of the intra-day prices on the ASX, weighted by volume (assuming that there has been a sale on the ASX on that business day).

If:

- the responsible entity believes that the calculation described above does not provide a fair reflection of market price;
- if there has been no sale of the Units on the ASX on that business day; or
- it is impracticable to calculate the average of the intra-day prices as described above,

then the Market Price will be calculated as the mid-point of the bid and offer prices per Unit on the ASX at the close of trading on that business day (whether or not a sale is recorded on that day).

If the responsible entity does not believe that either of the above methodologies will produce a fair reflection of the market price, then the Market Price will be calculated as the mid-point of the bid and offer prices per Unit on the ASX at any time the responsible entity determines.

If the responsible entity does not make the determination described above or if it still believes that the above methodologies will not produce a fair reflection of market price, then the Market Price will be the price determined by an independent qualified valuer appointed by the responsible entity.

Consequently, the primary differences between the methodology used to determine Market Price under the Old DIT Constitution and the New DIT Constitution are as follows:

- Under the Old DIT Constitution, the primary method of determining Market Price is the one-day average inter-bid trading price of the Units on the ASX. Under the New DIT

Constitution, Market Price is calculated over a period of ten business days, using the recorded trading price for all sales during that period (regardless of whether a sale has been recorded on any particular day in that period) but if the responsible entity considers the period of ten business days to be inappropriate it can extend or reduce the period or change the timing of the period.

- Under the Old DIT Constitution, several methodologies must be considered before the responsible entity can appoint an independent valuer to determine Market Price. Under the New DIT Constitution, the responsible entity can appoint an independent valuer to set the Market Price if it does not believe that the 10-day weighted average trading price methodology will produce a fair representation of the market price of the Units.

- (7) **(Options)** Under the Old DIT Constitution, the responsible entity is authorised to issue options for any or no consideration, subject to the Corporations Act, the Listing Rules and any applicable ASIC relief. The price at the time of exercise for each Unit issued under the option cannot not be less than 50% of the Market Price for Units.

Under the New DIT Constitution, the responsible entity may issue options for subscription in accordance with their terms of offer and the terms of issue. Options may be issued at the Market Price (as defined) for options on the ASX and the responsible entity may make placements and rights issues of options. The rules governing such placements and rights issues correspond to those governing placements and rights issues of Units, except that options may not be issued at a price calculated in accordance with a bookbuild, as described in the first paragraph of “placements” above.

The terms of offer and terms of issue of an option must be notified to each person to whom an offer of options is made and, if such a person subscribes for options, bind the subscriber. An optionholder may only exercise an option in accordance with its terms of issue. On termination of DIT, all options lapse and, subject to the payment of any amounts specifically payable to optionholders under the New DIT Constitution, the liabilities of the responsible entity cease in respect of each option.

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Options confer no interest in the assets of DIT on optionholders, merely those rights conferred on them by the New DIT Constitution, their terms of issue and the Listing Rules (if applicable). Optionholders are not entitled to any distribution of income or capital on a winding up of DIT but have a right to receive or inspect any document which is sent to or may be inspected by Unitholders.

The responsible entity may cancel, redeem or buy an option or its rights of exercise in accordance with its terms of issue and the Listing Rules and in so doing must pay the relevant optionholder any amount to which it is entitled under the option's terms of issue. Options may only be cancelled, redeemed or repurchased in this way in proportion to the number of options held by each optionholder on a date determined by the responsible entity.

- (8) **(foreign unitholders)** Under both the Old DIT Constitution and New DIT Constitution the responsible entity may exclude foreign Unitholders from rights offers and distribution reinvestment programs if it reasonably considers that it would not be unfair to foreign Unitholders and in the best interests of other Unitholders. Under the New DIT Constitution the responsible entity may also exclude foreign Unitholders from Unitholder purchase plans in these circumstances.
- (9) **(fee structure)** Under the Old DIT Constitution, the responsible entity is entitled to a management fee of:
- 0.75% per annum of the value of the assets of the Trust up to A\$400 million; and
 - 0.6% per annum of the value of the assets of the Trust over A\$400 million.

The responsible entity is also entitled to additional fees of 0.05% per annum of the value of the Trust's assets (subject to a minimum fee of A\$40,000 per year, adjusted for CPI increases).

Where the Trust owns land and buildings and a person other than the responsible entity has not been appointed to perform property management services, the responsible entity is also entitled to be paid property management fees, as determined from time to time by the responsible entity.

Under the Old DIT Constitution, the fees accrue daily and are calculated monthly based on the value of the assets of the Trust at the end of each month. They are payable within seven days of the end of each month.

Under the New DIT Constitution, the responsible entity is only entitled to a fee based on the gross asset value of the Trust, calculated at rate of 1% per annum (although the responsible entity currently intends to charge a maximum of 0.45% per annum). The fee accrues daily, is calculated on a monthly basis on the last day of each month and is payable monthly in arrears. There are no provisions relating to separate property management fees.

- (10) **(asset valuation)** Under the Old DIT Constitution, the responsible entity generally has discretion to value the assets of the Trust when it chooses. However, the responsible entity must not cause an asset to be valued if it considers it inappropriate to do so because the asset is undergoing, or being appraised for, redevelopment or sale. The assets are to be valued at current market value in a manner determined by the responsible entity and a copy of the valuation must be provided to the Trust's auditor prior to implementation. Copies of all valuations must be given to the Trust's auditors.

Under the New DIT Constitution, the responsible entity may deviate from the market value method of valuation if it determines that there is no market value for the asset or if this method does not represent the fair value of the asset. There are no provisions in the New DIT Constitution requiring the responsible entity to give copies of valuations to the Trust's auditors.

- (11) **(income and distributions)** Under the Old DIT Constitution, income distributions are made annually at the end of June and the responsible entity must distribute all amounts to Unitholders within 2 months of the end of each distribution period.

The New DIT Constitution provides that distribution periods for the Trust will be six month periods, ending on 30 June and 31 December in each year (or such other periods as the responsible entity may determine in its discretion). The responsible entity must distribute all amounts to Unitholders within 3 months of the end of each distribution period, unless the responsible entity determines that it is in the best interests of the Unitholders to delay the distribution.

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Under the New DIT Constitution, the responsible entity may at any time satisfy its distribution obligations to a Unitholder in Units, rather than cash, and may retain any otherwise distributable amounts in satisfaction of any amounts payable to the responsible entity by the Unitholder. The Old DIT Constitution does not give the responsible entity this power.

Refer to Section 13.4 for a description of the impact of foreign tax credits on distributions under the New DIT Constitution.

- (12) **(liens for amounts owing)** Under the Old DIT Constitution the responsible entity has a right of forfeiture (but not a lien) in respect of partly paid Units and a right to deduct from the proceeds of redemption of Units amounts owing to the responsible entity by a Unitholder – although Units are not redeemable while they are listed for trading on the ASX. The New DIT Constitution grants the responsible entity a first and paramount lien over Units and any distributions payable in respect of any amounts owing by a Unitholder to the responsible entity.

- (13) **(right of indemnity)** The right of the responsible entity to be indemnified out of the assets of the Trust for any liability incurred by it in the performance of its duties, the exercise of its powers, the course of its office or in relation to the administration of the Trust is similar under the Old DIT Constitution and the New DIT Constitution although under the New DIT Constitution:

- (A) a schedule (Schedule 2) specifies in detail most (but not all) of the costs of the Trust for which the responsible entity is entitled to be indemnified out of the assets of the Trust; and
- (B) the responsible entity may be indemnified out of Trust assets in respect of liabilities properly incurred notwithstanding that the Trust may have suffered a loss or diminished in value as a consequence of any unrelated act, omission or breach of trust by the responsible entity or any person or entity acting on its behalf.

- (14) **(limitation of liability)** The Old DIT Constitution provides that the responsible entity will not be liable to Unitholders for any loss suffered in respect of the Trust, provided the responsible entity has acted in good faith and without wilful default,

negligence or breach of trust. The New DIT Constitution provides that the responsible entity and its directors and officers are not personally liable to any Unitholder or any other person, except where the Corporations Act expressly provides otherwise.

The New DIT Constitution also expressly states that, except where the Corporations Act provides otherwise, the responsible entity is not responsible for any costs incurred:

- (A) by any fraudulent or negligent conduct or any breach of duty or breach of trust by any agent, attorney, custodian or delegate or any of their agents or delegates;
- (B) by relying on any information, notice, resolution or other documents unless it reasonably believes that such item is not genuine or has not been passed or executed by the proper parties; or
- (C) by any failure of a third party to carry out an agreement with the responsible entity or any of its agents or delegates.

The Old DIT Constitution provides that the responsible entity will not be responsible for the acts of any agent or delegate (other than a custodian) who is appointed to acquire, hold title to or dispose of or otherwise deal with any Trust asset and perform any incidental or ancillary action, provided reasonable care is exercised in selecting that person. The other limitations of liability mentioned in (A), (B) and (C) above are not specifically addressed in the Old DIT Constitution.

- (15) **(Unitholder liability)** Under the Old DIT Constitution, the responsible entity must ensure that any agreement pursuant to which the responsible entity borrows money on behalf of the Trust contains an acknowledgement by the other parties that the recourse of those parties is limited to the assets of the Trust and that they have no recourse to Unitholders. The New DIT Constitution does not contain such a provision, although the limitation of liability provisions in the New DIT Constitution provide that the liability of each Unitholder is limited to its investment in the Trust and the recourse of any creditor of the responsible entity is limited to the assets of the Trust.

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- (16) **(leverage)** The Old DIT Constitution prohibits the responsible entity from borrowing or incurring liability if to do so would cause the liabilities of the Trust to exceed 60% of its tangible assets. The New DIT Constitution contains no such restriction.
- (17) **(quorum for meetings of Unitholders)** Under the Old DIT Constitution, a quorum of Unitholders may be constituted by at least 5 Unitholders present at a meeting either in person or by proxy who together hold at least 10% of all Units. The quorum requirements under the New DIT Constitution do not take the size of a Unitholder's holdings into account, but instead require 20 Unitholders present in person or by proxy (in the case of meetings considering special or extraordinary resolutions) or 10 Unitholders present in person or by proxy (in all other cases).
- (18) **(compliance committee)** The New DIT Constitution contains a provision authorising the responsible entity to purchase and maintain insurance for current or former compliance committee members for liability incurred by any of them as a member of the compliance committee, including any reasonable costs of defence of any proceedings. The responsible entity must, to the extent not covered by insurance, indemnify any member of the Trust's compliance committee members out of the assets of the Trust for any costs or liabilities incurred by that person as a member of the compliance committee. The Old DIT Constitution has no analogous provisions.
- (19) **(notice of Unitholders' meetings)** Under the Old DIT Constitution, Unitholders had to be given at least ten days' notice of a Unitholder meeting. However, this provision is explicitly subject to the Corporations Act, which requires a minimum of 21 days prior notice. The New DIT Constitution eliminates this provision entirely, and consequently, the 21 day notice provided under the Corporations Act will apply.
- (20) **(rights issue)** The Old DIT Constitution, as amended, had two slightly inconsistent provisions relating to rights issues. The New DIT Constitution effectively adopts the provision most recently added to the Old DIT Constitution, which mirrors the terms set out ASIC Class Order 98/52.

13.3 Replacement of DOT Constitution

The rights, powers and duties of the DOT Unitholders and the responsible entity of DOT are governed by the terms of DOT's constitution, as well as by the Corporations Act, ASIC rulings, the Listing Rules (and applicable waivers) and the general law relating to trusts.

At the DOT Unitholders' Meeting, Unitholders will be asked to consider and vote upon a resolution to replace the Old DOT Constitution with the New DOT Constitution.

The Unitholders of DDF and DIT are also being asked to consider and vote upon resolutions to adopt new constitutions which are identical in all material respects to the New DOT Constitution which is, in turn, identical in all material respects to the DRO constitution.

Standardisation of the constitutions across all Trusts will facilitate the management and administration of the Trusts.

This section summarises the key differences between the Old DOT Constitution and the New DOT Constitution. This summary should be read in connection with the summary of the New DOT Constitution set out in Section 13.4.

References in this section to a Unit or Unitholder are references to a DOT Unit or DOT Unitholder unless indicated otherwise.

(a) Addition of stapling provisions

The Old DOT Constitution does not include any provisions relating to stapling of Units. The New DOT Constitution contains provisions enabling the Stapling to proceed and providing the legal framework in which Stapling will operate in the future.

The New DOT Constitution includes provisions (in a new Schedule 4) which permit the Transaction to proceed by, among other things, authorising DRFM, as the new responsible entity, to:

- (1) consolidate the Units, make a capital distribution to each Unitholder, apply that capital distribution on behalf of each Unitholder to subscribe for Units in DDF, DIT and DRO and implement the Stapling;
- (2) transfer to the Sale Bank the Units held by any Unitholder participating in the Cash Sale and Exchange Facilities;
- (3) issue Units to FAP and cause the stapling of those Units to Units issued to FAP by DDF, DIT and DRO; and

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- (4) act as agent for each Unitholder to do all things necessary or desirable to give effect to the above.

Other provisions in the New DOT Constitution in relation to stapling in general include the following:

- (5) **(power to staple Units)** DRFM is authorised to cause Units to be stapled to other securities;
- (6) **(stapled security register)** DRFM must maintain a stapled security register which must contain details of all stapled securities, the names of the stapled security holders and the number of stapled securities held;
- (7) **(Unstapling)** DRFM may only unstaple Units with the approval by a special resolution of Unitholders and the holders of each stapled entity;
- (8) **(restriction on issuance of Units)** While the Units are stapled, DRFM must not offer, issue (including upon the exercise of an option) or sell a Unit unless the same number of each security that is stapled to issued Units at that time is also offered, issued or sold to the same person at the same time;
- (9) **(reorganisation of Units)** DRFM may not consolidate, divide, cancel or otherwise reorganise any Units unless an equivalent reorganisation is simultaneously made to the securities which are stapled to the Units;
- (10) **(restriction on issue of new class of Units)**
If the constitutions of any of the entities whose securities are stapled to Units prevent the issue of any new class of securities without the consent of the holders of the stapled securities, DRFM may not issue any new class of Units different from any currently issued Units without the approval of an ordinary resolution of Unitholders;
- (11) **(restriction on transfer)** While the Units are stapled DRFM may not register a transfer or transmission of any Unit other than as a part of the stapled security; and
- (12) **(restriction on amendments affecting stapling provisions)** DRFM must obtain the consent of each other stapled entity in connection with any amendment to DOT's constitution that either directly affects the terms on which the Units are stapled or removes any restrictions on the transfer of a stapled Unit (unless all other securities stapled to the Unit are simultaneously released from the same transfer restriction).

(b) Consistency with constitutions of other Trusts

The following are some of the more significant changes that are proposed to be made to the Old DOT Constitution as part of the standardisation of the constitutions of each of the Trusts. They include provisions which reflect best practice in constitutional drafting and changes in the Corporations Act and ASIC and ASX policy not reflected in the Old DOT Constitution.

- (1) **(pricing of Units)** The Old DOT Constitution provides that while the Units are quoted on the ASX, the responsible entity may issue Units at an issue price equal to 98% of the Market Price (as defined), rounded to the number of decimal places as the responsible entity deems appropriate. The responsible entity may make allowance for any differences in the entitlements that the new Units may have compared to any Units currently on issue.

The New DOT Constitution does not contain this specific exception to the requirement that Units be issued at Market Price while they are currently listed on the ASX.

The New DOT Constitution provides for the issue of Units as part of Stapled Securities at a price determined by the responsible entity, provided that the aggregate of the issue price of the Unit and any other securities to which it is stapled is equal to the Market Price (as defined) of a Stapled Security.

- (2) **(placements)** The New DOT Constitution permits the responsible entity to issue Units as part of Stapled Securities while DIT is listed and Stapled Securities are quoted on the ASX and not suspended from quotation (other than temporarily) at an issue price determined by it, provided that the issue price is equal to the price determined pursuant to a bookbuild arranged by a reputable investment bank with experience arranging bookbuilds in the Australian equity market and DOT's auditor has provided written certification that the bookbuild was conducted in accordance with normal market standards.

The issue of Units must be:

- a placement to professional investors for which purpose the issue price is calculated or made within 15 days of the date of the bookbuild; or

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- an issue pursuant to a PDS lodged with ASIC within 15 business days of the date of calculation of the issue price pursuant to the bookbuild.

The Old DOT Constitution does not contain Provisions of this kind.

The New DOT Constitution also permits the responsible entity to issue Units as part of Stapled Securities while DOT is listed and Stapled Securities are quoted on the ASX and not suspended from quotation (other than temporarily) at an issue price determined by it if the issue is not to the responsible entity or a person associated with it and either;

- the amount by which the issue price of the Stapled Securities is less than the Market Price of Stapled Securities (as defined) does not exceed 50%; and
- the issue of Units would not, immediately after the issue and when aggregated with Units issued pursuant to this power up to one year previously other than issues subsequently ratified by Unitholders, comprise more than 15% (or such other percentage as may be permitted from time to time by both the Corporations Act and the Listing Rules) of all Units on issue or all Units on issue in the class of those issued,

or:

- Unitholders approve the issue;
- if the Units are to be issued in a particular class, Unitholders in that class approve the issue;
- unless the responsible entity reasonably considers that the issue will not adversely affect the interests of Unitholders in another class, Unitholders in that other class approve the issue;
- any notice of meeting to vote on the issue contains particulars of the use to be made of the money raised by the issue;
- an approval for these purposes is given by special resolution of Unitholders holding at least 25% by value of the Units of Unitholders entitled to vote on the question at the meeting; and

- the special resolution would pass even if the votes of any person being issued Units and its associates were not counted.

The Old DOT Constitution contains provisions to similar effect, however the discount at which the responsible entity is permitted to issue Units under a placement is greater in the New DIT Constitution (50% v 10% in the Old DIT Constitution).

- (3) **(Rights issues)** Under the New DOT Constitution, the responsible entity may issue Units at an issue price determined by it pursuant to an offer made at substantially the same time to only and all the then Unitholders if:

- all the Units offered are in the same class;
- if the Units form part of Stapled Securities, the issue price of all Stapled Securities offered is the same and is not less than 50% of the Market Price (as defined) of Stapled Securities on the ASX on the business day preceding the day on which the intention to make the issue or offer is announced on the ASX; and;
- the amount of Units offered to each Unitholder is proportionate to the value of that Unitholder's holding of Units.

The Old DOT Constitution contains provisions to similar effect.

- (4) **(Distribution reinvestment)** Under the New DOT Constitution, the responsible entity may issue Units at an issue price determined by it pursuant to a distribution reinvestment arrangement where:

- the whole or part of a Unitholder's distribution entitlement is applied in payment for the subscription for Units;
- each Unitholder may from time to time elect to participate in that arrangement as to the whole or some proportion of the distribution entitlement which is or would otherwise be payable to it;
- all the Units issued under the arrangement are in the same class;
- the issue price of all Units issued pursuant to the arrangement at substantially the same time is the same; and

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- if the Units form part of Stapled Securities, the issue price of the Stapled Securities is not less than 90% of the Market Price (as defined) of a Stapled Security.

The Old DOT Constitution contains provisions to similar effect.

- (5) **(Unitholder purchase plans)** Under the New DOT Constitution, Units may be issued as part of Stapled Securities at a price determined by the responsible entity which is less than the Market Price (as defined) of Stapled Securities during a specified period during the 30 days prior to the offer or issue of the Units, pursuant to Unitholder purchase plans if the offer for the issue of Stapled Securities is made on a non-renounceable basis and on the same terms and conditions to all Unitholders or all Unitholders of a particular class. No Unitholder issued with Stapled Securities pursuant to such a plan may be issued with Stapled Securities with an application price totalling more than A\$5,000 in any consecutive 12 month period. The Old DOT Constitution does not have any analogous provisions.

- (6) **(Market Price)** The methodology for calculating Market Price (as defined) under the New DOT Constitution is described in Section 13.4(d).

Under the Old DOT Constitution, Market Price on any particular business day is based on the average of the intra-day prices of the Units on the ASX, weighted by volume (assuming that there has been a sale on the ASX on that business day).

If:

- the responsible entity believes that the calculation described above does not provide a fair reflection of market price;
- if there has been no sale of the Units on the ASX on that business day; or
- it is impracticable to calculate the average of the intra-day prices as described above,

then the Market Price will be calculated as the mid-point of the bid and offer prices per Unit on the ASX at the close of trading on that business day (whether or not a sale is recorded on that day).

If the responsible entity does not believe that either of the above methodologies will produce a fair reflection of the market price, then the Market Price will be calculated as the mid-point of the bid and offer prices per Unit on the ASX at any time the responsible entity determines.

If the responsible entity does not make the determination described above or if it still believes that the above methodologies will not produce a fair reflection of market price, then the Market Price will be the price determined by an independent qualified valuer appointed by the responsible entity.

Consequently, the primary differences between the methodology used to determine Market Price under the Old DOT Constitution and the New DOT Constitution are as follows:

- Under the Old DOT Constitution, the primary method of determining Market Price is the one day average inter bid trading price of the Units on the ASX. Under the New DOT Constitution, Market Price is calculated over a period of ten business days, using the recorded trading price for all sales during that period (regardless of whether a sale has been recorded on any particular day in that period) but if the responsible entity considers the period of ten business days to be inappropriate it can extend or reduce the period or change the timing of the period.
- Under the Old DOT Constitution, several methodologies must be considered before the responsible entity can appoint an independent valuer to determine Market Price. Under the New DOT Constitution, the responsible entity can appoint an independent valuer to set the Market Price if it does not believe that the 10-day weighted average trading price methodology will produce a fair representation of the market price of the Units.

- (7) **(Options)** Under the Old DOT Constitution, the responsible entity is authorised to issue options for any or no consideration, subject to the Corporations Act, the Listing Rules and any applicable ASIC relief. The price at the time of exercise for each Unit issued under the option cannot not be less than 50% of the Market Price for Units.

13 Replacements of DDF, DIT and DOT Constitutions

Under the New DOT Constitution, the responsible entity may issue options for subscription in accordance with their terms of offer and the terms of issue. Options may be issued at the Market Price (as defined) for options on the ASX and the responsible entity may make placements and rights issues of options. The rules governing such placements and rights issues correspond to those governing placements and rights issues of Units, except that options may not be issued at a price calculated in accordance with a bookbuild, as described in the first paragraph of “placements” above.

The terms of offer and terms of issue of an option must be notified to each person to whom an offer of options is made and, if such a person subscribes for options, bind the subscriber. An optionholder may only exercise an option in accordance with its terms of issue. On termination of DOT, all options lapse and, subject to the payment of any amounts specifically payable to optionholders under the New DOT Constitution, the liabilities of the responsible entity cease in respect of each option.

Options confer no interest in the assets of DOT on optionholders, merely those rights conferred on them by the New DOT Constitution, their terms of issue and the Listing Rules (if applicable). Optionholders are not entitled to any distribution of income or capital on a winding up of DOT but have a right to receive or inspect any document which is sent to or may be inspected by Unitholders.

The responsible entity may cancel, redeem or buy an option or its rights of exercise in accordance with its terms of issue and the Listing Rules and in so doing must pay the relevant optionholder any amount to which it is entitled under the option's terms of issue. Options may only be cancelled, redeemed or repurchased in this way in proportion to the number of options held by each optionholder on a date determined by the responsible entity.

- (8) **(foreign unitholders)** Under both the Old DOT Constitution and New DOT Constitution the responsible entity may exclude foreign Unitholders from rights offers and distribution reinvestment programs if it reasonably considers that it would not be unfair to foreign Unitholders and in the best interests of other Unitholders. Under the New DOT

Constitution the responsible entity may also exclude foreign Unitholders from Unitholder purchase plans in these circumstances.

- (9) **(fee structure)** Under the Old DOT Constitution, the responsible entity is entitled to a management fee of 0.5% per annum of the value of the assets of the Trust.

The responsible entity is also entitled to additional fees of 0.05% per annum of the value of the Trust's assets (subject to a minimum fee of A\$40,000 per year, adjusted for CPI increases).

The fees accrue daily and are calculated monthly based on the value of the assets of the Trust at the end of each month. They are payable within seven days of the end of each month.

Where the Trust owns land and buildings and a person other than the responsible entity has not been appointed to perform property management services, the responsible entity is also entitled to be paid property management fees, as determined from time to time by the responsible entity.

Under the New DOT Constitution, the responsible entity is only entitled to a fee based on the gross asset value of the Trust, calculated at rate of 1% per annum (although the responsible entity currently intends to charge a maximum of 0.45% per annum). The fee accrues daily, is calculated on a monthly basis on the last day of each month and is payable monthly in arrears. There are no provisions relating to separate property management fees.

- (10) **(asset valuation)** Under the Old DOT Constitution, the responsible entity generally has discretion to value the assets of the Trust when it chooses. However, the responsible entity must not cause an asset to be valued if it considers it inappropriate to do so because the asset is undergoing, or being appraised for, redevelopment or sale. The assets are to be valued at current market value in a manner determined by the responsible entity and a copy of the valuation must be provided to the Trust's auditor prior to implementation. Copies of all valuations must be given to the Trust's auditors.

13 Replacements of DDF, DIT and DOT Constitutions

Under the New DOT Constitution, the responsible entity may deviate from the market value method of valuation if it determines that there is no market value for the asset or if this method does not represent the fair value of the asset. There are no provisions in the New DOT Constitution requiring the responsible entity to give copies of valuations to the Trust's auditors.

- (11) **(income and distributions)** Under the Old DOT Constitution, income distributions are made annually at the end of June and the responsible entity must distribute all amounts to Unitholders within two months of the end of each distribution period.

The New DOT Constitution provides that distribution periods for the Trust will be six month periods, ending on 30 June and 31 December in each year (or such other periods as the responsible entity may determine in its discretion). The responsible entity must distribute all amounts to Unitholders within 3 months of the end of each distribution period, unless the responsible entity determines that it is in the best interests of the Unitholders to delay the distribution.

Under the New DOT Constitution, the responsible entity may at any time satisfy its distribution obligations to a Unitholder in Units, rather than cash, and may retain any otherwise distributable amounts in satisfaction of any amounts payable to the responsible entity by the Unitholder. The Old DOT Constitution does not give the responsible entity this power.

Refer to Section 13.4 for a description of the impact of foreign tax credits on distributions under the New DOT Constitution.

- (12) **(liens for amounts owing)** Under the Old DOT Constitution the responsible entity has a right of forfeiture (but not a lien) in respect of partly paid Units and a right to deduct from the proceeds of redemption of Units amounts owing to the responsible entity by a Unitholder – although Units are not redeemable while they are listed for trading on the ASX. The New DOT Constitution grants the responsible entity a first and paramount lien over Units and any distributions payable in respect of any amounts owing by a Unitholder to the responsible entity.

- (13) **(right of indemnity)** The right of the responsible entity to be indemnified out of the assets of the Trust for any liability incurred by it in the performance of its duties, the exercise of its powers, the course of its office or in relation to the administration of the Trust is similar under the Old DOT Constitution and the New DOT Constitution although under the New DOT Constitution:

- (A) a schedule (Schedule 2) specifies in detail most (but not all) of the costs of the Trust for which the responsible entity is entitled to be indemnified out of the assets of the Trust; and
- (B) the responsible entity may be indemnified out of Trust assets in respect of liabilities properly incurred notwithstanding that the Trust may have suffered a loss or diminished in value as a consequence of any unrelated act, omission or breach of trust by the responsible entity or any person or entity acting on its behalf.

- (14) **(limitation of liability)** The Old DOT Constitution provides that the responsible entity will not be liable to Unitholders for any loss suffered in respect of the Trust, provided the responsible entity has acted in good faith and without wilful default, negligence or breach of trust. The New DOT Constitution provides that the responsible entity and its directors and officers are not personally liable to any Unitholder or any other person, except where the Corporations Act expressly provides otherwise.

The New DOT Constitution also expressly states that, except where the Corporations Act provides otherwise, the responsible entity is not responsible for any costs incurred:

- (A) by any fraudulent or negligent conduct or any breach of duty or breach of trust by any agent, attorney, custodian or delegate or any of their agents or delegates;
- (B) by relying on any information, notice, resolution or other documents unless it reasonably believes that such item is not genuine or has not been passed or executed by the proper parties; or
- (C) by any failure of a third party to carry out an agreement with the responsible entity or any of its agents or delegates.

13 Replacements of DDF, DIT and DOT Constitutions

The Old DOT Constitution provides that the responsible entity will not be responsible for the acts of any agent or delegate (other than a custodian) who is appointed to acquire, hold title to or dispose of or otherwise deal with any Trust asset and perform any incidental or ancillary action, provided reasonable care is exercised in selecting that person. The other limitations of liability mentioned in (A), (B) and (C) above are not specifically addressed in the Old DOT Constitution.

- (15) **(Unitholder liability)** Under the Old DOT Constitution, the responsible entity must ensure that any agreement pursuant to which the responsible entity borrows money on behalf of the Trust contains an acknowledgement by the other parties that the recourse of those parties is limited to the assets of the Trust and that they have no recourse to Unitholders. The New DOT Constitution does not contain such a provision, although the limitation of liability provisions in the New DOT Constitution provide that the liability of each DOT Unitholder is limited to its investment in the Trust and the recourse of any creditor of the responsible entity is limited to the assets of the Trust.
- (16) **(leverage)** The Old DOT Constitution prohibits the responsible entity from borrowing or incurring liability if to do so would cause the liabilities of the Trust to exceed 60% of its tangible assets. The New DOT Constitution contains no such restriction.
- (17) **(quorum for meetings of Unitholders)** Under the Old DOT Constitution, a quorum of Unitholders may be constituted by at least 5 Unitholders present at a meeting either in person or by proxy who together hold at least 10% of all Units. The quorum requirements under the New DOT Constitution do not take the size of a Unitholder's holdings into account, but instead require 20 Unitholders present in person or by proxy (in the case of meetings considering special or extraordinary resolutions) or 10 Unitholders present in person or by proxy (in all other cases).
- (18) **(compliance committee)** The New DOT Constitution contains a provision authorising the responsible entity to purchase and maintain insurance for current or former compliance committee members for liability incurred by any of them as a member of the compliance committee, including any reasonable costs of defence of any proceedings. The responsible entity must, to the

extent not covered by insurance, indemnify any member of the Trust's compliance committee members out of the assets of the Trust for any costs or liabilities incurred by that person as a member of the compliance committee. The Old DOT Constitution has no analogous provisions.

- (19) **(notice of Unitholders' meetings)** Under the Old DOT Constitution, Unitholders had to be given at least ten days' notice of a Unitholder meeting. However, this provision is explicitly subject to the Corporations Act, which requires a minimum of 21 days prior notice. The New DOT Constitution eliminates this provision entirely, and consequently, the 21 day notice provided under the Corporations Act will apply.
- (20) **(rights issue)** The Old DOT Constitution, as amended, had two slightly inconsistent provisions relating to rights issues. The New DOT Constitution effectively adopts the provision most recently added to the Old DOT Constitution, which mirrors the terms set out ASIC Class Order 98/52.

13.4 Summary of New Constitution

This Section contains a summary of the key provisions (other than the provisions summarised in Sections 13.1, 13.2 and 13.3) of the New DDF Constitution, New DIT Constitution and New DOT Constitution, which will replace the Old DDF Constitution, Old DIT Constitution and Old DOT Constitution.

Unitholders and other interested parties who require a more detailed understanding of the New Constitution may obtain a copy free of charge by calling the Information Line on 1300 733 838 or +61 2 9240 7453 (from outside Australia). A copy of the New Constitution is also available on DBRE's website at www.dbrealestate.com/australia/proposal. For legal reasons, all calls to the Information Line will be recorded.

(a) Vesting of assets and nature of Units

Each asset of the Trust is vested in and held by the responsible entity on behalf of the Unitholders. The beneficial interest in the Trust is divided into Units. No Unit confers an interest in any particular part of the Trust or its assets. The responsible entity may issue Units in different classes and may convert or reclassify Units from one class to another. Subject to the constitution, the liability of a Unitholder is limited to its investment in the Trust.

13 Replacements of DDF, DIT and DOT Constitutions

(b) Issues of Units

The provisions of the New Constitution dealing with the issue of Units are described in Sections 13.1(b)(1)-(6) and 13.1(b)(8), 13.2(b)(1)-(6) and 13.2(b)(8) and 13.3(b)(1)-(6) and 13.3(b)(8) in relation to DDF, DIT and DOT respectively.

(c) Issues of options

The provisions of the New Constitution dealing with the issue of options are described in Sections 13.1(b)(7), 13.2(b)(7) and 13.3(b)(7) in relation to DDF, DIT and DOT respectively.

(d) Determination of Market Price

Under the New Constitution, the Market Price for any Unit or Stapled Security on any business day will be (subject to the exceptions described below) the volume weighted average traded price for a Unit or Stapled Security for all sales on the ASX for the ten business day period immediately preceding the relevant business day, whether or not a sale was recorded on any particular day during that period.

In connection with a bookbuild, the Market Price will be a price obtained pursuant to a bookbuild arranged by a reputable investment bank with experience in arranging bookbuilds in the Australian equity market, provided that the Trust's auditor has provided written certification that the bookbuild was conducted in accordance with normal market standards.

In connection with the issuance of an option (or Units issuable upon exercise of an option) pursuant to a rights issue, the Market Price will be an amount:

- calculated in a manner which complies with the Corporations Act,
- which is set out in the relevant terms of issue; and
- which in the opinion of a valuer approved by the responsible entity of the Trust will approximate the market price of the option or Unit at or around the relevant date.

In connection with a Unit issued pursuant to a distribution reinvestment plan, the Market Price will be the volume weighted average traded price for a Unit for all sales on the ASX for the period of ten business days including:

- the five business days up to and including the relevant record date; and
- the five business days after the relevant record date.

If the responsible entity considers the periods of ten business days referred to above to be inappropriate it can extend or reduce the period or change the timing of the period.

If the responsible entity believes that the Market Price calculated in accordance with the guidelines described above does not provide an appropriate reflection of the market price of a Unit or Stapled Security, having regard to:

- the nature of the proposed offer of Units or Stapled Securities for which purpose Market Price is being calculated;
- the circumstances in which the proposed offer of Units or Stapled Securities will be made; and
- the interests of Unitholders or Stapled Security Holders (as the case may be) generally, including balancing the dilutionary effect of any such issue against the desirability of a successful capital raising,

the Market Price so calculated may be replaced by the Market Price determined by an adviser who is independent of the responsible entity and has relevant market experience in determining the issue price of securities in circumstances similar to those in which the determination of the issue price of a Unit or Stapled Security is being made.

(e) Acceptance of applications

Applications for Units or options may be rejected by the responsible entity in whole or in part and the responsible entity does not need to give any reason for the rejection.

(f) Powers of the responsible entity

Subject to the constitution, the responsible entity has all the powers it is possible to confer on a trustee and has all the powers incidental to the ownership of the assets of the Trust as if it were the absolute and beneficial owner of those assets.

13 Replacements of DDF, DIT and DOT Constitutions

The responsible entity may appoint agents, attorneys and delegates, which may include its associates, to exercise its powers and perform its obligations.

(g) Rights of responsible entity

The responsible entity or an officer or employee of it may:

- hold Units or options;
- provide services to the responsible entity or any Unitholder or optionholder;
- have an interest in or enter into a contract or transaction with the responsible entity or an associate of it, any Unitholder or optionholder or any other person, including one whose securities are an asset of the Trust; or
- hold, deal in or have any other interest in an asset of the Trust,

and may retain and is not required to account for any benefit derived by doing so.

The Corporations Act regulates related party transactions with the Trust.

(h) Responsibilities and indemnities of the responsible entity

The provisions of the New Constitution dealing with the responsible entity's responsibilities and indemnities are described in Sections 13.1(b)(14), 13.2(b)(14) and 13.3(b)(14) in relation to DDF, DIT and DOT respectively.

(i) Remuneration of the responsible entity

The provisions of the New Constitution dealing with the responsible entity's fee entitlement are described in Sections 13.1(b)(9), 13.2(b)(9) and 13.3(b)(9) in relation to DDF, DIT and DOT respectively.

The provisions of the New Constitution dealing with the responsible entity's right of indemnity out of Trust assets for costs incurred in the performance of its office are described in Sections 13.1(b)(13), 13.2(b)(13) and 13.3(b)(13) in relation to DDF, DIT and DOT respectively.

(j) Compliance Committee

The provisions of the New Constitution dealing with the Trust's compliance committee are described in Sections 13.1(b)(18), 13.2(b)(18) and 13.3(b)(18) in relation to DDF, DIT and DOT respectively.

(k) Valuation of assets

The provisions of the New Constitution dealing with valuation of assets are described in Sections 13.1(b)(10), 13.2(b)(10) and 13.3(b)(10) in relation to DDF, DIT and DOT respectively.

(l) Distributions

Certain aspects of the provisions of the New Constitution dealing with income and distributions are described in Sections 13.1(b)(11), 13.2(b)(11) and 13.3(b)(11) in relation to DDF, DIT and DOT respectively.

It is a consequence of holding Stapled Securities that if there is an increase in the amount of withholding taxes payable on dividends received by any Trust a Stapled Securityholder will receive a reduced cash distribution but greater corresponding foreign tax credit amounts. If such a Stapled Securityholder should sell their Stapled Securities between the date of the payment of the relevant dividend to a Trust and the relevant record date for DRT distributions, then the Stapled Securityholders' cash distribution will be further reduced without any change to the amount of the corresponding foreign tax credit.

If a Trust is not taxed as a company the amount to be distributed to Stapled Securityholders is determined by the responsible entity and if no determination is made the amount is determined by reference to the income from the Trust's operations. In addition, capital may be distributed.

If a Trust is taxed as a company, the responsible entity has complete discretion as to how much, if any, income or capital may be distributed.

In determining the distributable income, the responsible entity does not have to take into account accounting standards or generally accepted accounting principles and practices which apply to trusts.

(m) Transfers of Units

While the Trust is listed on the ASX, Units may be transferred as part of Stapled Securities in accordance with the Business Rules of the clearing house of the ASX and the Corporations Act. Transfers of Units are not effective until registered by the responsible entity.

(n) Retirement and removal of the responsible entity

The responsible entity may retire and can be replaced in accordance with the Corporations Act.

13 Replacements of DDF, DIT and DOT Constitutions

(o) Amending the constitution

The responsible entity may replace or amend the constitution in accordance with the Corporations Act.

(p) Term and termination of Trust

The Trust terminates on the earlier of:

- the 80th anniversary of the date of its establishment;
- the date determined by the responsible entity as the date on which it is to be terminated; and
- the date on which it is to be terminated under the constitution or by law.

Following termination of the Trust, the responsible entity must realise the Trust's assets, pay any amounts due to it, pay all costs owed by it in its capacity as responsible entity of the Trust and, subject to any special rights or restrictions attached to any Unit or the direction in writing of all Unitholders, distribute the net proceeds of realisation pro-rata among Unitholders in accordance with the number of Units they hold. The responsible entity may postpone the realisation of the assets of the Trust for as long as it thinks fit and is not liable for any loss or damage attributable to the postponement. The responsible entity may retain for as long as it thinks fit any part of the assets of the Trust which may be required to meet any actual contingent liability payable by it in respect of the Trust or payable to it under the constitution.

(q) Meetings

Meetings of Unitholders are regulated under the constitution and the Corporations Act. The constitution regulates quorum requirements, adjournments, polls and class meetings while the Corporations Act regulates the calling of meetings, proxies, the manner in which meetings must be held and minutes.

(r) Complaints

The responsible entity must establish and maintain a procedure for dealing with complaints by Unitholders in relation to the Trust which is consistent with AS4269 Australian Standard on Complaints Handling or such other standard as satisfies the requirements (if any) of the Corporations Act or any government agency. A Unitholder may lodge a complaint with the responsible entity in writing and the responsible entity must record the details of the complaint in a register, acknowledge receipt of the complaint and deal with and resolve the complaint within a reasonable time and in any event not more than two months after the date of receipt of the complaint. The responsible entity must inform the Unitholder in writing of its decision in relation to the complaint, the remedies available to the Unitholder and the avenues of appeal from the decision.

(s) Stapling

The provisions of the New Constitution dealing with Stapling are described in Sections 13.1(a), 13.2(a) and 13.3(a) in relation to DDF, DIT and DOT respectively.

14 Change of responsible entity of DDF, DIT and DOT

Resolution 2 seeks Unitholder approval of the change of responsible entity of each of DDF, DIT and DOT. In the case of DDF, approval is sought for the replacement of DBRE with DRFM. In the case of DIT and DOT, approval is sought for the replacement of DeAM with DRFM.

The objective is to have DRFM as Responsible Entity for all of the Trusts, as it will facilitate Stapling and provide common management and administration for each of the Trusts.

15 Distribution Reinvestment Plan

15.1 DRP

If the Transaction is implemented, DRFM proposes to implement the DRP to allow Stapled Securityholders to reinvest cash distributions from DRT in new Stapled Securities. The full terms and conditions of the proposed DRP for DRT are set out in Section 15.4.

The DRP, once implemented, will replace the distribution reinvestment plans currently operating in respect of DIT and DDF and will also apply to DOT and DRO.

If any DIT Unitholder or DDF Unitholder has made a current election under the existing DIT or DDF distribution reinvestment plans, DRFM will, unless notified otherwise, generally assume that they wish to make the same election in respect of the DRP. The terms and conditions of the DRP, as set out in Section 15.4, contain full details of how previous elections for the DIT and DDF distribution reinvestment plans will be treated under the DRP.

The last date that Stapled Securities may be issued to Deutsche Bank under the underwriting is September 2006.

15.2 Underwriting of DRP

If the Transaction is implemented, DRFM and Deutsche Bank will enter into an underwriting agreement under which Deutsche Bank will underwrite 100% of the DRP for DRT for the four distribution periods to 30 June 2006 (up to a maximum amount of A\$600 million).

New securities issued under the DRP will be ordinary, fully-paid Stapled Securities and will rank *pari passu* with all existing Stapled Securities. Stapled Securities issued to Deutsche Bank as underwriter will be issued at the same issue price as Stapled Securities are issued to Stapled Securityholders under the DRP.

Stapled Securities will be issued to Deutsche Bank on the day immediately before they are issued to Stapled Securityholders under the DRP. The issue dates for Stapled Securities under the DRP will be no later than 3 months after each 30 June and 31 December.

For each distribution period, the number of Stapled Securities to be issued to Deutsche Bank will be the total number of Stapled Securities which could be issued under the DRP for that period if all Stapled Securityholders elected to fully participate in the DRP less the actual number of Stapled Securities taken up by Stapled Securityholders under the DRP unless DRFM determines a lesser number or no Stapled Securities are to be underwritten for that distribution period. The maximum number of Stapled Securities that Deutsche Bank could acquire as underwriter

of the DRP for the four distribution periods up to 30 June 2006 is that number of Stapled Securities which have an aggregate issue price of A\$600 million. The last date that Stapled Securities may be issued to Deutsche Bank under the underwriting is September 2006.

Deutsche Bank will be paid a fee of 0.5% on the total value of the Stapled Securities acquired by it under the underwriting agreement. Deutsche Bank may in its discretion appoint sub-underwriters. The funds raised from the issue of Stapled Securities to Deutsche Bank will be used to retire debt of DRT. DRFM will provide standard representations, warranties and indemnities to Deutsche Bank.

Deutsche Bank will have the right to terminate its underwriting obligations for a distribution period in certain circumstances including where:

- Stapled Securities trade for a period of 5 consecutive Business Days at less than 50 cents per Stapled Security, or the Stapled Securities are suspended from quotation on the ASX;
- a representation or warranty given by DRFM under the underwriting agreement is untrue in a material respect or DRFM breaches a material obligation under the underwriting agreement; or
- DRFM contravenes any provision of the Corporations Act or any requirements of ASIC or ASX,

and those circumstances (alone or in combination):

- have (or could reasonably have) a material adverse effect on the willingness of Stapled Securityholders to participate in the DRP and the price at which Stapled Securities are sold on the ASX; or
- could reasonably be expected to give rise to a material liability of Deutsche Bank under the Corporations Act.

Further, Deutsche Bank will only be obliged to underwrite an issue for a particular distribution period where the issue price is less than the daily volume weighted average traded price for Stapled Securities over a 10 business day period less 2%.

Deutsche Bank may terminate all of its obligations under the underwriting agreement if the Stapled Securities cease to be traded on the ASX or the terms and conditions of the DRP or a New Constitution is amended and the amendments:

- have not been previously approved in writing by Deutsche Bank; and
- have (or could reasonably be expected to have) a material adverse effect on the ability of Deutsche Bank to place the Stapled Securities issued to it under the DRP.

15 Distribution Reinvestment Plan

15.3 Resolutions

If the Transaction proceeds, Deutsche Bank will own 50% of DRFM and will be a related party of DRFM for the purposes of the Corporations Act. The Resolutions seeking approval of Deutsche Bank as the underwriter of the DRP for the purposes of the Listing Rules are set out in the Notice of Meeting for each Trust. A detailed explanation of the reasons for those Resolutions and the effect of approving such Resolutions is set out in Sections 16.5, 17.5 and 18.5.

15.4 DRP terms and conditions

This Distribution Reinvestment Plan will be adopted by DB RREEF Funds Management Limited as Responsible Entity of the Deutsche Office Trust, Deutsche Industrial Trust, Deutsche Diversified Trust and DB RREEF Operations Trust if the Transactions proceeds.

15.4.1 Definitions

In these Terms and Conditions unless the contrary intention appears:

ASX means Australian Stock Exchange Limited and the market operated by it;

Constitutions means the constitution of each of DDF, DIT, DOT and DRO as amended from time to time;

DRO means DB RREEF Operations Trust ARSN 110 521 223;

DDF means Deutsche Diversified Trust ARSN 089 324 541;

Distribution means a distribution payable on a Stapled Security comprising the sum of the distributions payable on each unit in DDF, DIT, DOT and DRO in accordance with their respective Constitutions;

DIT means Deutsche Industrial Trust ARSN 090 879 137;

DOT means Deutsche Office Trust ARSN 090 768 531;

DRP means the Distribution Reinvestment Plan constituted and incorporating these Terms and Conditions;

Election Notice means a written notice signed by a Securityholder (or each Securityholder in the case of joint holdings) to participate, vary participation or terminate participation in the DRP in the form prescribed or approved by the responsible entity from time to time;

Listing Rules means the official listing rules of the ASX;

Market Price has the meaning given to that term in clause 1.3 of the Constitutions;

Participant means a Securityholder participating in the DRP;

Record Date has the meaning defined in the Listing Rules;

Register means the register of holders of Stapled Securities maintained by the Registry;

Registry means ASX Perpetual Registrars Limited or such other party appointed by the Responsible Entity as the registry for Stapled Securities;

Responsible Entity means DB RREEF Funds Management Limited ACN 060 920 783;

Securityholder means a person (including a corporation) entered in the Register as the holder of a Stapled Security;

Stapled Security means a stapled security comprising of a unit in DDF, a unit in DIT, a unit in DOT and a unit in DRO;

Terms and Conditions means these terms and conditions as amended from time to time; and

Withholding Tax means any tax or withholding amount that the Responsible Entity is required to withhold from a Distribution payable to a Participant.

15.4.2 Participation in the DRP

15.4.2.1 Under the DRP, a Securityholder may elect to receive Stapled Securities instead of cash for Distributions in respect of all or part of their holding of Stapled Securities.

15.4.2.2 Subject to these Terms and Conditions, all Securityholders are eligible to participate in the DRP.

15.4.2.3 Participation in the DRP is optional and not transferable.

15.4.2.4 Securityholders with a registered address in a country other than Australia or New Zealand may not be eligible to participate in the DRP. The issue of Stapled Securities to Securityholders who at the time of issue are not resident in Australia or New Zealand will be subject to all necessary legal approvals being obtained by the relevant Securityholder to the satisfaction of the Responsible Entity.

15 Distribution Reinvestment Plan

15.4.3 Election to participate or vary participation

15.4.3.1 A Securityholder may at any time give an Election Notice to the Responsible Entity to:

- (a) participate in the DRP;
- (b) increase or decrease the number or percentage of Stapled Securities participating in the DRP; or
- (c) terminate participation in the DRP.

15.4.3.2 Subject to clause 3.3, upon receipt and acceptance of a duly completed and executed Election Notice, participation in the DRP will commence, be varied or terminated from the Record Date for the next Distribution.

15.4.3.3 Unless the Responsible Entity receives an Election Notice from a Securityholder to the contrary, where a Securityholder has made a previous election in relation to their units in DDF or DIT under a distribution reinvestment plan offered by DDF or DIT respectively, that election will continue to apply to that Securityholder's Stapled Securities under the DRP unless:

- (a) that Securityholder has specified a number of DDF or DIT units to participate in a previous distribution reinvestment plan and that number exceeds the number of Stapled Securities held by that Securityholder, in which case that Securityholder's entire holding will be taken to participate in the DRP; or
- (b) the Securityholder has previously elected to participate in distribution reinvestment plans of DDF and DIT and those elections differ in terms of the level of participation, in which case the election which results in the greater number of that Securityholder's Stapled Securities participating in the DRP will be taken to apply to that Securityholder's Stapled Securities.

15.4.3.4 To elect to participate, vary participation or terminate participation in the DRP, Securityholders must complete an Election Notice. Election Notices must be forwarded to the Registry as notified to Securityholders by the Responsible Entity from time to time.

15.4.4 Degree of Participation

15.4.4.1 Subject to these Terms and Conditions, a Securityholder's participation in the DRP may be either full or partial as follows:

- (a) full participation applies to Distributions payable on all the Participant's Stapled Securities held from time to time;
- (b) partial participation applies to either:

(1) the number of Stapled Securities nominated in the Election Notice by the Participant; or

(2) the percentage of the Participant's Stapled Securities held from time to time as nominated in the Election Notice (rounded up).

15.4.4.2 If:

- (a) at the Record Date the number of Stapled Securities held by the Participant is less than the nominated number of Stapled Securities, then participation in the DRP in respect of that Distribution will only apply to such lesser number of Stapled Securities;
- (b) a signed Election Notice does not indicate the degree of participation, it will be deemed to be an election for full participation;
- (c) a signed Election Notice indicates both partial and full participation, it will be deemed to be an election for full participation; and
- (d) a signed Election Notice indicates partial participation and both the number of Stapled Securities and a percentage participation, it will be deemed to be a percentage participation of Stapled Securities held from time to time.

15.4.5 Operation of the DRP

15.4.5.1 The Responsible Entity must establish and maintain a DRP account for each Participant (DRP Account).

15.4.5.2 In respect of each Distribution, the Responsible Entity must:

- (a) determine each Participant's Distribution;
- (b) determine the amount to be reinvested under the DRP in respect of that Participant being the number of Stapled Securities participating in the DRP in accordance with the Election Notice from that Participant and these Terms and Conditions multiplied by the Distribution for each Stapled Security;
- (c) deduct any amount the Responsible Entity is required to deduct such as Withholding Tax and credit the net amount available for reinvestment to that Participant's DRP Account;
- (d) determine the number of Stapled Securities to be allotted being the balance of that Participant's DRP Account divided by the Market Price on the date determined in accordance with the Constitutions (rounded down to the nearest whole number);

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- (e) issue the additional Stapled Securities to that Participant; and
- (f) retain any residual in the Participant's DRP Account without interest.

15.4.5.3 The Responsible Entity may, whether in respect of a particular Distribution or as a continuing term of participation in the DRP, set a maximum number of Stapled Securities for each Participant that may participate in the DRP (Maximum DRP Holding). Where the Participant is a nominee or trustee acting on behalf of multiple beneficiaries the Maximum DRP Holding will apply to each separate beneficiary subject to the Participant providing the Responsible Entity with such confirmation as required by the Responsible Entity.

15.4.5.4 If the amount a Participant has elected to have participate in the DRP is greater than the Maximum DRP Holding:

- (a) the Maximum DRP Holding will be deemed to be the number of Stapled Securities participating in the DRP for that Participant; and
- (b) any Stapled Securities in excess of the Maximum DRP Holding will be deemed to be non-participating Stapled Securities and any Distribution payable in respect of those Stapled Securities will be paid to the Participant by direct credit in accordance with that Participant's instructions.

15.4.5.5 The Responsible Entity may arrange for the issue of Stapled Securities under the DRP to be underwritten by an underwriter (including a related body corporate of the Responsible Entity) on terms determined by the Responsible Entity.

15.4.6 Issue or transfer of Stapled Securities

15.4.6.1 In the operation of the DRP, the Responsible Entity may, in its discretion, either issue new Stapled Securities or cause existing Stapled Securities to be acquired in the market for transfer to Participants, or a combination of both options, to satisfy the Responsible Entity's obligations under these Terms and Conditions.

15.4.6.2 If the Responsible Entity determines to cause the transfer of Stapled Securities to Participants, the Stapled Securities may be acquired in such manner as the Responsible Entity considers appropriate.

15.4.6.3 Stapled Securities subscribed for under the DRP will be issued by the Responsible Entity on or as soon as practicable after the payment date for the relevant Distribution.

15.4.7 Ranking

All Stapled Securities issued under the DRP will rank equally in all respects with existing fully paid Stapled Securities.

15.4.8 Costs to Participants

No brokerage, commission, stamp duty or other transaction costs will be payable by Participants on the issue of Stapled Securities under the DRP unless required by law.

15.4.9 DRP Statements

The Responsible Entity will send to each Participant a DRP statement setting out details of the Participant's transactions under the DRP.

15.4.10 Termination of participation

15.4.10.1 If the Responsible Entity is notified of the death or bankruptcy of a Participant, participation in the DRP by that Participant will cease unless the personal representative or executor of the estate of the Participant or trustee in bankruptcy (as the case may be) otherwise notifies the Responsible Entity or unless the deceased or bankrupt Participant held the relevant Stapled Securities jointly with other persons who remain eligible to participate.

15.4.10.2 Upon termination of the participation of a Securityholder for whatever reason, unless otherwise directed, the Securityholder or the legal representative of a deceased or bankrupt Securityholder will be paid the cash balance, if any, shown in the Securityholder's DRP Account as at the date of termination.

15.4.11 Disposal of Stapled Securities

15.4.11.1 Where all of a Participant's Stapled Securities or a percentage of a Participant's holding are subject to the DRP and the Participant disposes of part of their holding, the remaining Stapled Securities held by the Participant will continue to participate in the DRP on the same terms as before the disposal.

15.4.11.2 Where a Participant has nominated a specific number of Stapled Securities to participate in the DRP and the Participant disposes of part of that holding, then the Stapled Securities disposed of will be deemed to be Stapled Securities not participating in the DRP.

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15.4.11.3 Where a Participant disposes of a number of Stapled Securities which is greater than the number of the Participant's Stapled Securities not participating in the DRP, the disposal will be deemed to include all of the Participant's holding not participating in the DRP, and the balance, if any, will be deemed to be Stapled Securities participating in the DRP.

15.4.11.4 Unless otherwise directed, where a Participant disposes of Stapled Securities and the Participant's holding falls below the number of Stapled Securities nominated to participate in the DRP it will be deemed that 100% of the Participant's holding will then participate in the DRP until such time as the Participant's holding exceeds the nominated number.

15.4.11.5 Where a Participant disposes of all Stapled Securities without giving the Responsible Entity notice of termination of participation, the Participant will be deemed to have terminated participation in the DRP with respect to the holding on the date the Responsible Entity registered an instrument of transfer or disposal of the Participant's holding.

15.4.12 Administration and amendment, suspension or termination of DRP

15.4.12.1 The Responsible Entity may in its discretion from time to time amend these Terms and Conditions.

15.4.12.2 The Responsible Entity may suspend or terminate the DRP at any time. A suspension of the DRP will take effect at and from such time as the Responsible Entity determines and will continue until such time as the Responsible Entity determines that the DRP will recommence or be terminated.

15.4.12.3 The Responsible Entity must give notice to Securityholders of any amendment to or suspension or termination of the DRP as soon as practicable after the effective date of the amendment, suspension or termination.

15.4.12.4 The Responsible Entity may:

- (a) determine procedures for administration of the DRP consistent with these Terms and Conditions;
- (b) accept or reject an application to participate in the DRP at its discretion;
- (c) waive strict compliance with any of these Terms and Conditions; and
- (d) settle in such manner as it thinks fit any disputes which arise in connection with the operation of the DRP.

15.4.13 ASX Listing

The Responsible Entity will promptly make application for Stapled Securities issued under the DRP to be quoted on the ASX.

15.4.14 Taxation

The Responsible Entity takes no responsibility whatsoever for the taxation liabilities of Participants. Participants should seek their own taxation advice in relation to the DRP.

15.4.15 General

The DRP and its operation and these Terms and Conditions are governed by and subject to the provisions of the Constitutions, the Listing Rules and the Corporations Act 2001 (Cth).

16 The Deutsche Diversified Trust Unitholders' meeting

16.1 Reasons for the meeting

A meeting of Unitholders of DDF is to be held at the Heritage Ballroom, Westin Hotel, Level 6, No 1 Martin Place, Sydney, NSW, 2000 on Monday 27 September 2004 commencing at 10.00am for the purpose of considering and voting upon the Resolutions described below in connection with the Transaction.

The Transaction will only proceed if each of the Resolutions set out in the DDF Notice and described and explained below is passed by the required majority and the other Conditions are satisfied (or, where possible, waived).

16.2 DDF Resolution One – to replace the DDF Constitution

This Resolution authorises the replacement of the Old DDF Constitution with the New DDF Constitution in accordance with the DDF Supplemental Deed Poll in the form to be tabled at the meeting. The key differences between the Old DDF Constitution and the New DDF Constitution are summarised in Section 13.1. A summary of the New DDF Constitution is also set out in Section 13.4.

This Resolution is required under Section 601GC(1)(a) of the Corporations Act, which provides that changes to the constitution of a registered managed investment scheme must be passed by a special resolution of unitholders. Under the Corporations Act, a special resolution is a resolution that has been passed by at least 75% of the votes cast either in person or by proxy by members entitled to vote on the resolution.

The Unitholders of DIT and DOT are also being asked to consider and vote upon Resolutions to adopt new constitutions which are identical in all material respects to the New DDF Constitution which is, in turn, identical in all material respects to the DRO Constitution.

The DRO Constitution reflects best practice in constitutional drafting and incorporates changes in the Corporations Act and ASIC and ASX policy not reflected in the existing constitutions for DDF, DIT and DOT. Among other things, the New DDF Constitution is designed to permit and facilitate the Stapling and thus the implementation of the Transaction. The new Stapling provisions are summarised in Section 13.1.

Unitholders and other interested parties may inspect the Old DDF Constitution, the DDF Supplemental Deed Poll and the New DDF Constitution at the offices of DB Real Estate at Level 21, 83 Clarence Street, Sydney 2000 NSW between the

hours of 9.00am and 5.00pm on any Business Day before the DDF Unitholders' meeting. These documents will also be available online at www.dbrealestate.com/australia/proposal, or you can obtain a copy of any of the documents free of charge by calling the Information Line on 1300 733 838 or +61 2 9240 7453 (from outside of Australia). For legal reasons, all calls to the Information Line will be recorded.

16.3 DDF Resolution Two – to replace the responsible entity

This Resolution authorises the appointment of DRFM as responsible entity of DDF in the place of DBRE.

Under Section 601FL of the Corporations Act, if the responsible entity of a listed registered managed investment scheme wants to retire, it must call a unitholders' meeting to explain its reason for wanting to retire and to enable the unitholders to vote on an ordinary resolution to choose a company to be the new responsible entity.

The Transaction contemplates that the responsible entity of each Trust will be DRFM, which is the responsible entity of DRO. The reasons for the change of responsible entity are set out in Section 14.

16.4 DDF Resolution Three – to approve the Stapling Proposal

This Resolution seeks approval to the Stapling of Units in DDF to Units in DIT, DOT and DRO and the associated actions such as the payment of a capital distribution to Unitholders which will be applied in subscribing for Units in DIT, DOT and DRO to effect the Stapling.

Further details are set out in the Section 3 of this Explanatory Memorandum.

16.5 DDF Resolution Four – to approve the underwriting of the DRP by Deutsche Bank

This Resolution seeks approval for the issue of Units in DDF to Deutsche Bank as underwriter of the DRP which is proposed to be introduced following implementation of the Transaction. The full terms and conditions of the DRP, details of the underwriting arrangements and all other matters required to be disclosed under the Listing Rules are set out in Section 15.

Subject to certain exceptions, Listing Rule 7.1 prevents the responsible entity of the Trust from issuing more than a certain number of "equity securities" in the Trust without DDF Unitholder approval. In addition, Listing Rule 10.11

16 The Deutsche Diversified Trust Unitholders' meeting

prevents the responsible entity from issuing securities to a related party of the responsible entity without DDF Unitholder approval.

If DDF Unitholders approve DDF Resolution Four as set out in the DDF Notice, the Responsible Entity may issue Units to Deutsche Bank as underwriter of the DRP provided no such issue occurs later than September 2006 and is not required to count DDF Units issued pursuant to the DRP to Deutsche Bank for the purposes of determining whether the limits referred to in Listing Rule 7.1 would be exceeded.

The DRP will not be implemented unless the Transaction proceeds.

16.6 DDF Resolution Five – to approve the acquisition of relevant interest in Units in DDF by Deutsche Bank up to 35%

This Resolution seeks approval for Deutsche Bank and its associates to acquire relevant interests in DDF Units increasing their voting power in DDF to a maximum voting power of 35%.

Any acquisition of relevant interests increasing the voting power of one or more Deutsche Group entities to a level beyond 20% (or between 20% and 90%) in DDF would breach section 606 of the Corporations Act unless it has appropriate DDF Unitholder approval under section 611 item 7 of the Corporations Act (or is otherwise an exempt acquisition under the Corporations Act or ASIC relief).

The Transaction will result in an increase in the voting power of Deutsche Bank and its associates in DDF as a result of:

- the issue of DDF Units to Deutsche Bank and its associates under the Stapling Proposal;
- the issue of Stapled Securities to FAP in relation to the acquisition by DRO of a 50% interest in DRFM; and
- the potential issue of Stapled Securities to Deutsche Bank in its capacity as underwriter in relation to the February 2005 issue under the DRP.

Accordingly, DDF Unitholder approval is sought in relation to the above matters.

Further details about this Resolution, including reasons why it is required in the context of the Transaction, are described in Sections 8 and 19 of the Explanatory Memorandum.

16.7 Voting and eligibility

(a) Poll

Each of the Resolutions will be decided by way of a poll. Each DDF Unitholder present in person or by proxy has one vote for each A\$1.00 of DDF Unit value they hold. The value of the DDF Units will be equal to the last sale price on the ASX on the trading day immediately before the DDF Unitholders' Meeting. On a poll, a DDF Unitholder entitled to two or more votes need not cast all their votes and may cast their votes in different ways.

(b) Majority required

The Resolutions described in Sections 16.2 and 16.4 are special resolutions and will be passed if at least 75% of votes cast by DDF Unitholders present in person or by proxy and entitled to vote on each resolution are cast in favour of each Resolution.

The Resolutions described in Sections 16.3, 16.5 and 16.6 are ordinary resolutions and will be passed if more than 50% of the votes cast by DDF Unitholders present in person or by proxy and entitled to vote on each Resolution are cast in favour of each Resolution.

(c) Eligibility

Subject to the following, all holders of DDF Units appearing in the register of DDF Unitholders as at 7.00pm (EST) on 26 September 2004 will be entitled to attend and vote at the meeting.

(d) Voting exclusions

In respect of each DDF Resolution, the responsible entity of DDF and any of its associates which have an interest in a DDF Resolution other than as a DDF Unitholder are not entitled to vote on that Resolution. This exclusion does not apply:

- to a DDF Unitholder holding DDF Units in a fiduciary capacity (other than in respect of holdings for which they act as fiduciary solely for the responsible entity of DDF and its associates); or

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- where the responsible entity of DDF or an associate has been appointed proxy for a DDF Unitholder who can vote on the Resolution if their appointment specifies the way they are to vote and they vote in accordance with those instructions.

In respect of DDF Resolution Four to approve the underwriting of the DRP by Deutsche Bank, the responsible entity of DDF will disregard any votes cast by:

- Deutsche Bank; and
- any other person who might obtain a benefit, except a benefit solely in the capacity of a DDF Unitholder, if the Resolution is passed,

and any of their associates.

However, the responsible entity of DDF need not disregard a vote cast on DDF Resolution Four by a person described above if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In respect of DDF Resolution Five to approve the acquisition of relevant interests in Units in DDF by Deutsche Bank up to 35%, no votes may be cast in favour of the Resolution by the persons proposing to make the acquisitions and their associates.

16.8 Conditions of the Transaction

The Transaction will not proceed unless:

- each of the DDF Resolutions has been passed;
- each of the DIT Resolutions and the DOT Resolutions has been passed; and
- each of the other Conditions has been satisfied or waived.

If all Resolutions are passed, it will be necessary to give effect to the Resolutions approving the replacement of the responsible entities and the constitutions of each of DDF, DIT and DOT by lodging appropriate documentation with ASIC prior to completion of the Transaction. It is possible, although unlikely, that if certain other Conditions are not satisfied or waived, the Transaction may not proceed. In these circumstances, the replacement of the responsible entity and the constitutions of DDF, DIT and DOT will remain in effect, but DDF, DIT and DOT will otherwise continue to operate as they do at present.

In particular, the fees currently charged by DBRE as the responsible entity of DDF will not change without prior notice to Unitholders. The fees cannot be increased beyond the maximum amount of 1% (although the responsible entity currently intends to charge a maximum of 0.45% per annum) of the gross asset value of the Trust as provided under the New DDF Constitution without approval by a special resolution of Unitholders at a meeting convened to amend the New DDF Constitution. (Refer to Section 13.1(b)(9) for a comparison of the maximum fees payable to the responsible entity under the Old DDF Constitution and the New DDF Constitution.)

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17.1 Reasons for the meeting

A meeting of Unitholders of DIT is to be held at the Heritage Ballroom, Westin Hotel, Level 6, No 1 Martin Place, Sydney, NSW, 2000 on Monday 27 September 2004 commencing at 10.00am for the purpose of considering and voting upon the Resolutions described below in connection with the Transaction (or, where possible, waived).

The Transaction will only proceed if each of the Resolutions set out in the DIT Notice and described and explained below is passed by the required majority and the other Conditions are satisfied or, where possible, waived.

17.2 DIT Resolution One – to replace the DIT Constitution

This Resolution authorises the replacement of the Old DIT Constitution with the New DIT Constitution in accordance with the DIT Supplemental Deed Poll in the form to be tabled at the meeting. The key differences between the Old DIT Constitution and the New DIT Constitution are summarised in Section 13.2. A summary of the New DIT Constitution is also set out in Section 13.4.

The Resolution is required under Section 601GC(1)(a) of the Corporations Act, which provides that changes to the constitution of a registered managed investment scheme must be passed by a special resolution of unitholders. Under the Corporations Act, a special resolution is a resolution that has been passed by at least 75% of the votes cast either in person or by proxy by members entitled to vote on the resolution.

The Unitholders of DDF and DOT are also being asked to consider and vote upon resolutions to adopt new constitutions which are identical in all material respects to the New DIT Constitution which is, in turn, identical in all material respects to the DRO Constitution.

The DRO Constitution reflects best practice in constitutional drafting and incorporates changes in the Corporations Act and ASIC and ASX policy not reflected in the existing constitutions for DDF, DIT and DOT. Among other things, the New DIT Constitution is designed to permit and facilitate the Stapling and thus the implementation of the Transaction. The new Stapling provisions are summarised in Section 13.2.

Unitholders and other interested parties may inspect the Old DIT Constitution, the DIT Supplemental Deed Poll and the New DIT Constitution at the offices of DB Real Estate at Level 21, 83 Clarence Street, Sydney 2000 NSW between the

hours of 9.00am and 5.00pm on any Business Day before the DIT Unitholders' meeting. These documents will also be available online at www.dbrealestate.com/australia/proposal, or you can obtain a copy of any of the documents free of charge by calling the Information Line on 1300 733 838 or +61 2 9240 7453 (from outside of Australia). For legal reasons, all calls to the Information Line will be recorded.

17.3 DIT Resolution Two – to replace the responsible entity

This Resolution authorises the appointment of DRFM as responsible entity of DIT in the place of DeAM.

Under Section 601FL of the Corporations Act, if the responsible entity of a listed registered managed investment scheme wants to retire, it must call a unitholders' meeting to explain its reason for wanting to retire and to enable the unitholders to vote on an ordinary resolution to choose a company to be the new responsible entity.

The Transaction contemplates that the responsible entity of each Trust will be DRFM, which is the responsible entity of DRO. The reasons for the change of responsible entity are set out in Section 14.

17.4 DIT Resolution Three – to approve the Stapling Proposal

This Resolution seeks approval to the Stapling of Units in DIT to Units in DDF, DOT and DRO and the associated actions such as the payment of a capital distribution to Unitholders which will be applied in subscribing for units in DDF, DOT and DRO to effect the Stapling.

Further details are set out in Section 3 of this Explanatory Memorandum.

17.5 DIT Resolution Four – to approve the underwriting of the DRP by Deutsche Bank

This Resolution seeks approval for the issue of Units in DIT to Deutsche Bank as underwriter of the DRP which is proposed to be introduced following implementation of the Transaction. The full terms and conditions of the DRP, details of the underwriting arrangements and all other matters required to be disclosed under the Listing Rules are set out in Section 15.

Subject to certain exceptions, Listing Rule 7.1 prevents the responsible entity of the Trust from issuing more than a certain number of "equity securities" in the Trust without DIT Unitholder approval. In addition, Listing Rule 10.11 prevents

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the responsible entity from issuing securities to a related party of the responsible entity without Unitholder approval.

If DIT Unitholders approve DIT Resolution Four as set out in the DIT Notice, the responsible entity may issue Units to Deutsche Bank as underwriter of the DRP provided no such issue occurs later than September 2006 and is not required to count DIT Units issued pursuant to the DRP to Deutsche Bank for the purposes of determining whether the limits referred to in Listing Rule 7.1 would be exceeded.

The DRP will not be implemented unless the Transaction proceeds.

17.6 DIT Resolution Five – to approve the acquisition of relevant interest in Units in DIT by Deutsche Bank up to 35%

This Resolution seeks approval for Deutsche Bank and its associates to acquire relevant interests in DIT Units increasing their voting power in DIT to a maximum voting power of 35%.

Any acquisition of relevant interests increasing the voting power of one or more Deutsche Group entities to a level beyond 20% (or between 20% and 90%) in DIT would breach section 606 of the Corporations Act unless it has appropriate DIT Unitholder approval under section 611 item 7 of the Corporations Act (or is otherwise an exempt acquisition under the Corporations Act or ASIC relief).

The Transaction will result in an increase in the voting power of Deutsche Bank and its associates in DIT as a result of:

- the issue of DIT Units to Deutsche Bank and its associates under the Stapling Proposal;
- the issue of Stapled Securities to FAP in relation to the acquisition by DRO of a 50% interest in DRFM; and
- the potential issue of Stapled Securities to Deutsche Bank in its capacity as underwriter in relation to the February 2005 issue under the DRP.

Accordingly, DIT Unitholder approval is sought in relation to the above matters.

Further details about this Resolution, including reasons why it is required in the context of the Transaction, are described in Sections 8 and 19 of the Explanatory Memorandum.

17.7 Voting and eligibility

(a) Poll

Each of the Resolutions will be decided by way of a poll. Each DIT Unitholder present in person or by proxy has one vote for each A\$1.00 of DIT Unit value they hold. The value of the DIT Units will be equal to the last sale price on the ASX on the trading day immediately before the DIT Unitholders' Meeting. On a poll, a DIT Unitholder entitled to two or more votes need not cast all their votes and may cast their votes in different ways.

(b) Majority required

The Resolutions described in Sections 17.2 and 17.4 are special resolutions and will be passed if at least 75% of votes cast by DIT Unitholders present in person or by proxy and entitled to vote on each Resolution are cast in favour of the Resolution.

The resolutions described in Sections 17.3, 17.5 and 17.6 are ordinary resolutions and will be passed if more than 50% of the votes cast by DIT Unitholders present in person or by proxy and entitled to vote on each Resolution are cast in favour of the Resolution.

(c) Eligibility

Subject to the following, all holders of DIT Units appearing in the register of DIT Unitholders as at 7.00pm (EST) on 26 September 2004 will be entitled to attend and vote at the meeting.

(d) Voting exclusions

In respect of each DIT Resolution, the responsible entity of DIT and any of its associates which have an interest in a DIT Resolution other than as a DIT Unitholder are not entitled to vote on that Resolution. This exclusion does not apply:

- to a DIT Unitholder holding DIT Units in a fiduciary capacity (other than in respect of holdings for which they act as fiduciary solely for the responsible entity of DIT and its associates);
- where the responsible entity of DIT or an associate has been appointed proxy for a DIT Unitholder who can vote on the Resolution if their appointment specifies the way they are to vote and they vote in accordance with those instructions.

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In respect of DIT Resolution Four to approve the underwriting of the DRP by Deutsche Bank, the responsible entity will disregard any votes cast by:

- Deutsche Bank; and
- any other person who might obtain a benefit, except a benefit solely in the capacity of a DIT Unitholder, if the Resolution is passed,

and any of their associates.

However, the responsible entity of DIT need not disregard a vote cast on DIT Resolution Four by a person described above if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In respect of DIT Resolution Five to approve the acquisition of relevant interest in Units in DIT by Deutsche Bank up to 35%, no votes may be cast in favour of the Resolution by the person proposing to make the acquisition and their associates.

In particular, the fees currently charged by DeAM as the responsible entity of DIT will not change without prior notice to Unitholders. The fees cannot be increased beyond the maximum amount of 1% (although the Responsible Entity currently intends to charge a maximum of 0.45% per annum) of the gross asset value of the Trust as provided under the New DIT Constitution without approval by a special resolution of Unitholders at a meeting convened to amend the New DIT Constitution. (Refer to Section 13.2(b)(9) for a comparison of the maximum fees payable to the responsible entity under the Old DIT Constitution and the New DIT Constitution.)

17.8 Conditions of the Transaction

The Transaction will not proceed unless:

- each of the DIT Resolutions has been passed;
- each of the DDF Resolutions and the DOT Resolutions has been passed; and
- each of the other Conditions has been satisfied or waived.

If all Resolutions are passed, it will be necessary to give effect to the Resolutions approving the replacement of the responsible entities and the constitutions of each of DDF, DIT and DOT by lodging appropriate documentation with ASIC prior to completion of the Transaction. It is possible, although unlikely, that if certain other Conditions are not satisfied or waived, the Transaction may not proceed. In these circumstances, the replacement of the responsible entity and the constitutions of DDF, DIT and DOT will remain in effect, but DDF, DIT and DOT will otherwise continue to operate as they do at present.

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18.1 Reasons for the meeting

A meeting of Unitholders of DOT is to be held at the Heritage Ballroom, Westin Hotel, Level 6, No 1 Martin Place, Sydney, NSW, 2000 on Monday 27 September 2004 commencing at 10.00am for the purpose of considering and voting upon the Resolutions described below in connection with the Transaction.

The Transaction will only proceed if each of the Resolutions set out in the DOT Notice and described and explained below is passed by the required majority and the other Conditions are satisfied (or, where possible, waived).

18.2 DOT Resolution One – to replace the DOT Constitution

This Resolution authorises the replacement of the Old DOT Constitution with the New DOT Constitution in accordance with the DOT Supplemental Deed Poll in the form to be tabled at the meeting. The key differences between the Old DOT Constitution and the New DOT Constitution are summarised in Section 13.3. A summary of the New DOT Constitution is also set out in Section 13.4.

This Resolution is required under Section 601GC(1)(a) of the Corporations Act, which provides that changes to the constitution of a registered managed investment scheme must be passed by a special resolution of unitholders. Under the Corporations Act, a special resolution is a resolution that has been passed by at least 75% of the votes cast either in person or by proxy by members entitled to vote on the resolution.

The Unitholders of DDF and DIT are also being asked to consider and vote upon resolutions to adopt new constitutions which are identical in all material respects to the New DOT Constitution which is, in turn, identical in all material respects to the DRO Constitution.

The DRO Constitution reflects best practice in constitutional drafting and incorporates changes in the Corporations Act and ASIC and ASX policy not reflected in the existing constitutions for DDF, DIT and DOT.

Among other things, the New DOT Constitution is designed to permit and facilitate the Stapling and thus the implementation of the Transaction. The new Stapling provisions are summarised in Section 13.3.

Unitholders and other interested parties may inspect the Old DOT Constitution, the DOT Supplemental Deed Poll and the New DOT Constitution at the offices of DB Real Estate at Level 21, 83 Clarence Street, Sydney, NSW

2000, between the hours of 9.00am and 5.00pm on any Business Day before the DOT Unitholders' meeting. These documents will also be available online at www.dbrealestate.com/australia/proposal, or you can obtain a copy of any of the documents free of charge by calling the Information Line on 1300 733 838 or +61 2 9240 7453 (from outside of Australia). For legal reasons, all calls to the Information Line will be recorded.

18.3 DOT Resolution Two – to replace the responsible entity

This Resolution authorises the appointment of DRFM as responsible entity of DOT in the place of DeAM.

Under Section 601FL of the Corporations Act, if the responsible entity of a listed registered managed investment scheme wants to retire, it must call a unitholders' meeting to explain its reason for wanting to retire and to enable the unitholders to vote on an ordinary resolution to choose a company to be the new responsible entity.

The Transaction contemplates that the responsible entity of each Trust will be DRFM, which is the responsible entity of DRO. The reasons for the change of responsible entity are set out in Section 14.

18.4 DOT Resolution Three – to approve the Stapling Proposal

This Resolution seeks approval to the Stapling of Units in DOT to Units in DDF, DIT and DRO and the associated actions such as the payment of a capital distribution to Unitholders which will be applied in subscribing for units in DDF, DIT and DRO to effect the Stapling. Further details are set out in Section 3 of this Explanatory Memorandum.

18.5 DOT Resolution Four – to approve the underwriting of the DRP by Deutsche Bank

This Resolution seeks approval for the issue of Units in DOT to Deutsche Bank as underwriter of the DRP which is proposed to be introduced following implementation of the Transaction. The full terms and conditions of the DRP, details of the underwriting arrangements and all other matters required to be disclosed under the Listing Rules are set out in Section 15.

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Subject to certain exceptions, Listing Rule 7.1 prevents the responsible entity of the Trust from issuing more than a certain number of "equity securities" in the Trust without DOT Unitholder approval. In addition, Listing Rule 10.11 prevents the responsible entity from issuing securities to a related party of the responsible entity without DOT Unitholder approval.

If DOT Unitholders approve DOT Resolution Four as set out in the DOT Notice, the Responsible Entity may issue Units to Deutsche Bank as underwriter of the DRP provided no such issue occurs later than September 2006 and is not required to count DOT Units issued pursuant to the DRP to Deutsche Bank for the purposes of determining whether the limits referred to in Listing Rule 7.1 would be exceeded.

The DRP will not be implemented unless the Transaction proceeds.

18.6 DOT Resolution Five – Acquisition of relevant interest in Units in DOT by Deutsche Bank up to 35%

This Resolution seeks approval for Deutsche Bank and its associates to acquire relevant interests in DOT Units increasing their voting power in DOT to a maximum voting power of 35%.

Any acquisition of relevant interests increasing the voting power of one or more Deutsche Group entities to a level beyond 20% (or between 20% and 90%) in DOT would breach section 606 of the Corporations Act unless it has appropriate DOT Unitholder approval under section 611 item 7 of the Corporations Act (or is otherwise an exempt acquisition under the Corporations Act or ASIC relief).

The Transaction may result in an increase in the voting power of Deutsche Bank and its associates in DOT as a result of:

- the issue of Stapled Securities to FAP in relation to the acquisition by DRO of a 50% interest in DRFM; and
- the potential issue of Stapled Securities to Deutsche Bank in its capacity as underwriter in relation to the February 2005 issue under the DRP.

Accordingly, DOT Unitholder approval is sought in relation to the above matters.

Further details about this approval, including reasons why it is required in the context of the Transaction, are described in Sections 8 and 19 of the Explanatory Memorandum.

18.7 Voting and eligibility

(a) Poll

Each of the Resolutions will be decided by way of a poll. Each DOT Unitholder present in person or by proxy has one vote for each A\$1.00 of DOT Unit value they hold. The value of the DOT Units will be equal to the last sale price on the ASX on the trading day immediately before the DOT Unitholders' Meeting. On a poll, a DOT Unitholder entitled to two or more votes need not cast all their votes and may cast their votes in different ways.

(b) Majority required

The Resolutions described in Sections 18.2 and 18.4 are special resolutions and will be passed if at least 75% of votes cast by DOT Unitholders present in person or by proxy and entitled to vote on each Resolution are cast in favour of each Resolution.

The Resolutions described in Sections 18.3, 18.5 and 18.6 are ordinary resolutions and will be passed if more than 50% of the votes cast by DOT Unitholders present in person or by proxy and entitled to vote on each Resolution are cast in favour of each Resolution.

(c) Eligibility

Subject to the following, all holders of DOT Units appearing in the register of DOT Unitholders as at 7.00pm (EST) on 26 September 2004 will be entitled to attend and vote at the meeting.

(d) Voting Exclusions

In respect of each DOT Resolution, the responsible entity of DOT and any of its associates which have an interest in a DOT Resolution other than as a DOT Unitholder are not entitled to vote on that Resolution. This exclusion does not apply:

- to a DOT Unitholder holding DOT Units in a fiduciary capacity (other than in respect of holdings for which they act as fiduciary solely for the responsible entity of DOT and its associates);
- where the responsible entity of DOT or an associate has been appointed proxy for a DOT Unitholder who can vote on the Resolution if their appointment specifies the way they are to vote and they vote in accordance with those instructions.

18 The Deutsche Office Trust Unitholders' Meeting

In respect of DOT Resolution Four to approve the underwriting of the DRP by Deutsche Bank, the responsible entity will disregard any votes cast by:

- Deutsche Bank; and
- any other person who might obtain a benefit, except a benefit solely in the capacity of a DOT Unitholder, if the Resolution is passed,

and any of their associates.

However, the responsible entity of DOT need not disregard a vote cast on DOT Resolution Four by a person described above if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In respect of DOT Resolution Five to approve the acquisition of relevant interests in Units in DOT by Deutsche Bank up to 35%, no votes may be cast in favour of the Resolution by the persons proposing to make the acquisition and their associates.

In particular, the fees currently charged by DeAM as the responsible entity of DOT will not change without prior notice to Unitholders. The fees cannot be increased beyond the maximum amount of 1% (although the Responsible Entity currently intends to charge a maximum of 0.45% per annum) of the gross asset value of the Trust as provided under the New DOT Constitution without approval by a special resolution of Unitholders at a meeting convened to amend the New DOT Constitution. (Refer to Section 13.3(b)(9) for a comparison of the maximum fees payable to the responsible entity under the Old DOT Constitution and the New DOT Constitution.)

18.8 Conditions of the Transaction

The Transaction will not proceed unless:

- each of the DOT Resolutions has been passed;
- each of the DDF Resolutions and the DIT Resolutions has been passed; and
- each of the other Conditions has been satisfied or waived.

If all Resolutions are passed, it will be necessary to give effect to the Resolutions approving the replacement of the responsible entities and the constitutions of each of DDF, DIT and DOT by lodging appropriate documentation with ASIC prior to completion of the Transaction. It is possible, although unlikely, that if certain other Conditions are not satisfied or waived, the Transaction may not proceed. In these circumstances, the replacement of the responsible entity and the constitutions of DDF, DIT and DOT will remain in effect, but DDF, DIT and DOT will otherwise continue to operate as they do at present.

19 Material contracts and additional information

19.1 Where to find information

Section 19.2	Contains summaries of material contracts
Section 19.3	Deals with ASX matters
Section 19.4	Deals with ASIC matters
Section 19.5	Contains consents of persons named in this Explanatory Memorandum
Section 19.6	Deals with how to access investment information
Section 19.7	Deals with how complaints are to be handled
Section 19.8	Discloses the availability of documents
Section 19.9	Deals with privacy issues
Section 19.10	Deals with labour standard, environmental, ethical and social considerations.

19.2 Summaries of material contracts

(a) Summary of Stapling Implementation Deed Poll

It is proposed that before the Stapling occurs DRFM will enter into a deed poll in favour of all unitholders of DOT, DIT and DDF, the key terms of which are summarised below.

Under the proposed deed poll, DRFM will covenant that it will on or after the Effective Date (being the date on which the last of the conditions precedent referred to below is satisfied or waived) do all things as are reasonably necessary to implement the Stapling (including all things which schedule 4 to the proposed constitutions of the Trusts require to be done by the responsible entity of each of the Trusts).

The Stapling and DRFM's obligations under the Stapling Implementation Deed Poll will be subject to conditions precedent which may be summarised as follows:

- (1) approval by unitholders of DIT, DOT and DDF, respectively, of all of the resolutions set out in their respective Notices of Meeting;
- (2) neither of DeAM or DBRE withdrawing from the Transaction prior to the passage of the resolutions at the Unitholders' Meetings should either of them determine in the proper performance of their duties that implementation of the Transaction is not in the best interests of the Unitholders of a Trust of which either is the responsible entity;

- (3) all financial accommodation necessary to implement the Transaction being obtained, including:
 - (A) all parties to debt facilities required in connection with the Transaction executing all necessary documentation in relation to such facilities; and
 - (B) DRFM receiving sufficient proceeds from drawdown under such facilities to enable implementation of the Transaction;
- (4) settlement of the acquisition of the US Assets;
- (5) all counterparties to:
 - (A) the Share Sale Agreement (as described in Section 19.2);
 - (B) the Shareholders Deed (as described in Section 19.2);
 - (C) the Transitional Services Agreement (as described in Section 19.2);
 - (D) the Brand Control and Trade Mark Licence Deed (as described in Section 19.2); and
 - (E) the Escrow Deed (as described in Section 19.2);
 - (F) the Loan Note Deed Poll (as described in Section 19.2);
 - (G) the Loan Subscription Agreement (as described in Section 19.2); and
 - (H) the Management Delegation Deed (as described in Section 19.2);entering into and delivering each of such agreements or deeds (as the case may be) in all material respects on the terms and conditions as described in the Explanatory Memorandum;
- (6) DRFM being before and on the execution of the Share Sale Agreement a wholly owned subsidiary of DRH and DRH being before and on the execution of the Share Sale Agreement a wholly owned subsidiary of FAP;
- (7) Foreign Investment Board approval:
 - (A) a notice in writing being issued by, or on behalf of, the Treasurer of the Commonwealth of Australia stating that the Commonwealth Government does not object to the relevant parties entering into and completing:

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- (i) DRFM's (as trustee of DDF) acquisition of A\$25 million in units in the Deutsche Wholesale Property Fund;
- (ii) DRH's acquisition of 100% of the issued shares in DRFM from FAP;
- (iii) To the extent necessary, the acquisition by the Sale Bank of units in DDF, DIT, and DOT pursuant to the Cash Sale and Exchange Facilities;
- (iv) DRO acquiring up to 100% of the issued shares in DRH;
- (v) Members of the Deutsche Group acquiring interests in units of DRO;

(the **FIRB Transactions**), either unconditionally or on terms which, in the reasonable opinion of the directors of DRFM, are not unacceptable; or

- (B) the Treasurer of the Commonwealth of Australia becomes precluded from making an order in respect of the FIRB Transactions under the Foreign Acquisitions and Takeovers Act 1975 (Cth);

- (8) all necessary approvals required by DRFM under Chapter 2E and Part 5C.7 of the Corporations Act in relation to the Transaction being obtained; and
- (9) any necessary waivers or in principle approvals of waivers or relief being granted by ASIC or by ASX, in each case, either unconditionally or on terms which, in the reasonable opinion of the directors of DRFM, are not unacceptable.

- (10) ASX granting its approval to:

- (A) DRO's admission to the official list of ASX; and
- (B) the official quotation of all of the Stapled Securities on ASX,

in each case, either unconditionally or on terms which, in the reasonable opinion of the directors of DRFM, are not unacceptable and, as at the Effective Date, ASX not having withdrawn, or qualified (other than on terms which, in the reasonable opinion of the directors of DRFM, are not unacceptable) or withheld such approvals.

If a condition referred to above is not satisfied on or before 30 November 2004 (or such later date as DRFM determines), DRFM's obligations under the deed poll will automatically terminate and DRFM will be released from its obligations under the deed poll.

DRFM may waive any of the conditions referred to above by notice in writing given to ASX.

Under the Stapling Implementation Deed Poll, if DRFM is of the opinion that Securityholders, each of whom holds a holding of Securities which results in a fractional entitlement to Restructured Securities, have been a party to a securityholding splitting or division in an attempt to obtain an advantage due to the rounding provided for in the calculation of the Securityholder's entitlement to Restructured Securities, DRFM may give notice to those Securityholders:

- setting out the names and registered addresses of all of them;
- stating that opinion; and
- attributing to one of them specifically identified in the notice the Securities held by all of them.

After the notice has been given, for the purposes of the implementation of the Transaction and the Stapling entitlements:

- the Securityholder identified in the notice will be taken to hold all those Securities; and
- each of the other Securityholders will be taken to hold no Securities.

DRFM will also give warranties regarding its power and authority to enter into and perform the deed poll.

(b) Acquisition of 50% interest in DRFM

(1) Share Sale Agreement

The parties to this proposed agreement are FAP, DAL, DB RREEF Funds Management Limited (DRFM), in its capacity as Responsible Entity of DRO and DRH. It is proposed that this agreement will be entered into after Unitholder approvals have been obtained at the meetings and that it will complete on the business day after the Stapling occurs.

Pursuant to this agreement, it is proposed that FAP will sell to DRFM 50% of its interests in DRH (comprising one half of the shares and loan notes that will be issued by DRH).

Purchase price and further payments

The purchase price for the shares and loan notes is proposed to be an amount of A\$65 million which is attributable to FUM (being 1.28% x 50% x FUM) plus an amount of A\$5 million attributable to NTA (being 50% of an anticipated A\$10 million) where, broadly:

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- (a) FUM is the amount of funds under management attributable to management of each fund for which DRFM proposes to assume the management rights including in respect of certain property trusts as described in section 4.3 (provided always that in the case of DWPF, management rights shall only be taken to have been assumed if DRFM has the right to act as Responsible Entity or otherwise acquired all the shares in the current responsible entity of DWPF (and not upon any delegation of those management rights to DRFM)); and
- (b) NTA is the net tangible assets of DRFM at completion (as determined by completion accounts) less an allowance for long service leave and annual leave entitlements for certain key DAL employees who accept offers of employment from DRH.

If all the management rights have been assumed by DRFM by the completion date, A\$65 million will be payable at completion in respect of the FUM component. If any part of the management rights have not been assumed by DRFM by the completion date, the FUM component of the purchase price payable at completion will reduce and the balance will be paid when the management rights are assumed, provided this occurs within 12 months of the completion date. Reductions will be made for each of the funds in respect of which management rights have not been assumed at the rate of 1.28% of 50% of the relevant FUM, as disclosed in this Explanatory Memorandum for:

- DWPF;
- Northgate Property Trust;
- Gordon Property Trust; and
- Abbotsford Property Trust,

adjusted, in the case of DWPF, for the acquisition of property from STC referred to in this Explanatory Memorandum.

If the unpaid amount does not become payable within 12 months of completion, the purchase price is reduced accordingly.

In addition, in all cases, A\$5 million will be paid on account of the NTA component at completion. To the extent that NTA as shown in the completion accounts varies from A\$10 million, an adjustment payment will be made.

The FUM component of the purchase price paid at completion is proposed to be applied by the Seller for the subscription by it of Stapled Securities. The number of

Stapled Securities to be issued in respect of this component of the purchase price will be based on the VWAP for Stapled Securities over the period of ten business days commencing on the day after initial quotation of the Stapled Securities on the ASX. The Seller also proposes to enter into an Escrow Deed in respect of these Stapled Securities restricting certain dealings in these Stapled Securities for a period of 12 months from the date of issue (subject to certain limited exception) (see summary of the Escrow Deed below). Any interest arising on monies held by DRFM on behalf of the Seller in the period from completion to the date of issue of Stapled Securities must be paid by DRFM to the Seller in cash.

It is proposed that the Seller will apply any deferred amount paid in respect of the FUM component in the 12 months following completion to subscribe for Stapled Securities based on the VWAP for Stapled Securities over the period of ten days commencing on the business day after the acquisition by DRFM of the relevant new management rights. These Stapled Securities will also be subject to the escrow arrangement in the Escrow Deed until the expiry of the escrow period applicable to the Stapled Securities issued on completion.

Conditions precedent

FIRB approval will be a condition precedent to the agreement becoming binding on the parties. There will also be a number of conditions precedent to completion and completion will not occur until after and subject to the Stapling being implemented. The conditions precedent to completion are:

- (1) implementation of the stapling of the units in each of DIT, DOT, DDF and DRO;
- (2) ASX admitting DRO to its Official List and the Stapled Securities for quotation.
- (3) Execution of the following agreements:
 - (A) Shareholders Deed;
 - (B) Transitional Services Agreement;
 - (C) Licence Agreement; and
 - (D) Escrow Deed.

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Warranties and indemnity

The Proposed Share Sale Agreement contains a number of warranties by FAP about title to the shares and loan notes and the state of affairs of DRH and DRFM. It is proposed that these warranties will be given to DRFM. FAP and DRFM give reciprocal warranties about their power to enter into and perform the agreement. The proposed agreement also contains an indemnity by FAP under which, broadly, FAP will agree to indemnify DRFM for its loss arising from:

- a breach of FAP's warranties;
- an act or omission of DRH or DRFM occurring prior to the Completion Date, or an event occurring prior to the Completion Date that affects DRH or DRFM which would have reasonably been expected to have resulted in an adjustment of the completion accounts; or
- any liability of DRH or DRFM which is assumed as a consequence of it replacing of DBRE and DeAM in their roles as predecessor responsible entities of certain funds (namely DIT, DOT, Gordon Property Trust, Gordon Property Investment Trust, Abbotsford Property Trust, Abbotsford Property Investment Trust, Northgate Property Trust, Northgate Property Investment Trust, and Deutsche RREEF Core Fund in the case of DeAM and DDF in the case of DBRE) to the extent that the liability cannot be recovered from the relevant fund under an indemnity and it relates to an act or omission of DRH or DRFM occurring prior to the Completion Date, or an event occurring prior to the Completion Date that affects the relevant fund.

Broadly, the amount of the loss which the Seller is required to pay under the indemnity is calculated by reference to 50% of the loss suffered by DRH or DRFM.

In addition, there are certain limitations on the Buyer's ability to claim under the indemnity. These limitations include, broadly:

- certain restrictions on claims to the extent that the loss arises or is increased in connection with matters done or not done after the Completion Date;
- if the claim is made more than seven years after completion and DRO (or a permitted transferee) has ceased to own the shares;
- if the claim relates to the business of funds, managed schemes or trusts managed by DRH or DRFM, except to the extent that DRH or DRFM is obliged to make good a loss suffered by those managed schemes or trusts;

- unless and until the total amount of all claims has exceeded A\$100,000.

In addition, the proposed agreement will contain some provisions regarding handling of third party claims.

Guarantee and indemnity

It is proposed that DAL will guarantee all of the obligations of FAP under the agreement. As a separate undertaking DAL will indemnify DRFM against all liability or loss arising from and any costs incurred in connection with a breach by FAP of the agreement or by DAL of its guarantee.

(2) Escrow Deed

This proposed deed is between DRFM in its capacity as Responsible Entity of each of the Trusts and FAP.

The purpose of this deed is to restrict FAP from undertaking certain dealings in relation to the Stapled Securities issued to FAP under the Share Sale Agreement (Restricted Securities) for a specified period.

Under this deed, FAP agrees that, except in the circumstances set out below, it will not for the period of 12 months commencing on the date on which Restricted Securities are first issued to FAP under the Share Sale Agreement:

- dispose of, or agree or offer to dispose of, the Restricted Securities;
- create, or agree or offer to create, any security interest in the Restricted Securities; or
- do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of the Restricted Securities.

The restrictions referred to above will cease to apply:

- if all of the shares in DRH held by FAP (or a related body corporate of FAP) are transferred to DRFM upon exercise of the put or call options under the Shareholders Deed (see Section 19.2(b) for further information in relation to the Shareholders Deed); or
- in certain limited circumstances, to enable FAP to accept a takeover bid or participate in a scheme of arrangement in relation to the Restricted Securities.

(3) Shareholders Deed

This proposed deed is between DRH, DRFM (in its own right and as Responsible Entity of DRO), FAP and DAL.

The purpose of the agreement is for DRFM, in its capacity

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as Responsible Entity of DRO and FAP as shareholders in DRH, to agree upon certain matters relating to the operation and business of both DRH and its wholly owned subsidiary DRFM.

The deed will commence on the day that DRFM acquires shares in DRH from FAP under the Share Sale Agreement described in section 19.2(b)(1) of this document.

Scope and business of DRH and its subsidiaries

The parties agree that at the commencement of the agreement DRH will hold a 100% interest in DRFM.

The parties further agree that the purpose of DRH and DRFM is to carry on and develop Core Business. DRFM as Responsible Entity of DRO must not carry on Core Business but may through a wholly-owned company or companies established by it, carry on certain real estate business activities referred to as "DRT Real Estate Business". DRFM as Responsible Entity of DRO may also carry on any other business through a wholly-owned subsidiary with the consent of both shareholders. The term "Core Business" is defined as (unless DAL otherwise agrees) solely the business of acting as:

- (a) real estate property manager;
- (b) real estate investment manager under mandates;
- (c) responsible entity or trustee for managed investment schemes and trusts which invest in real estate for the purpose or principally for the purpose of receiving rent; or
- (d) provider of property consulting services in connection with the management of real estate,

and in all cases providing these services to Direct Real Estate Property Management Products in Australia and New Zealand or offering Direct Real Estate Property Management Products to retail or wholesale clients in Australia and New Zealand.

For these purposes, Direct Real Estate Property Management Products means trusts, managed investment schemes, funds managed under mandates or any other vehicles, whether listed or unlisted, whose only business is to:

- (a) directly acquire, manage or dispose of real estate, or
- (b) invest into products with exposure to a single property manager which directly acquires, manages or disposes of real estate including:
 - (1) DIT, DOT, DDF and DRO (the Listed Trusts);
 - (2) Gordon Property Trust, Gordon Property Investment

Trust, Abbotsford Property Trust, Abbotsford Property Investment Trust, Northgate Trust, Northgate Property Investment Trust;

- (3) mandates and delegations of DRFM to manage wholesale and direct real estate property investment funds, including the delegation from DBRE to manage Deutsche Wholesale Property Fund; and

- (4) Deutsche RREEF US Core Fund,

but excluding Infrastructure Yield Securities issued by IYS Instalment Receipt Limited over units in the Deutsche Retail Infrastructure Trust (IYS).

The term "DRT Real Estate Business" means any business that is based on or is concerned with the acquisition, development, improvement or management of, construction of improvements to, or utilisation of, real estate and it's not core business, is not infrastructure ownership or operation and does not involve offering Property Securities Products. "Property Securities Products" means trusts, registered schemes, mandates or other vehicles, whether listed or unlisted, which invest into product with exposure to more than one property manager which directly acquires, manages or disposes of real estate (such as LPTs, REITs or property companies) and which at the date of the deed will include Deutsche Paladin Property Securities Fund, Deutsche Sentinel Property Securities Fund and Deutsche RREEF US Securities Fund.

DRH will carry on its business in accordance with the Brand Control and Trade Mark Licence Deed (summarised in Section 19.2(b) below) and with assistance from DAL under the Transitional Services Agreement (also summarised in Section 19.2(b) below).

DRFM will also have a cooperative relationship with DeAM in relation to areas of mutual interest. Subject to applicable privacy laws, this could include sharing of valuable investment insight and research between respective investment teams and processes. DAL undertakes to procure DeAM's compliance with this obligation to cooperate.

FAP will not participate in profits from the earnings of non-Core Businesses (other than as a unitholder in DRO) and for this reason it is agreed that DRFM and DRH will not derive a fee for managing any of the non-Core Businesses other than remuneration to DRH at agreed charge-out rates designed to cover actual expenses and time of staff spent on non-Core Business undertaken by any subsidiaries of DRO. The amounts payable to DRH for such expenses (other than reimbursement of third party costs) and staff

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time will not exceed the maximum fee payable to DRFM as Responsible Entity under the constitution of DRO.

Subject to certain exceptions, if in conducting Core Business, DRO, DRH or its subsidiaries wishes to acquire real estate outside Australia or New Zealand where the Deutsche Bank Group's global real estate funds management business operates, it must offer Deutsche Bank a first option to tender to provide real estate asset funds management services in connection with the acquisition management and disposal of that real estate on arms length commercial terms.

Shareholder determinations

The proposed deed provides that a number of matters which would ordinarily be decided by the board, must be decided by a majority decision of the two shareholders namely DRFM (in its capacity as Responsible Entity of DRO) and FAP. These matters can be summarised as:

(a) certain changes to DRH's and DRFM's business, namely:

- (1) fundamental change in the nature and scale of the business of DRH or its subsidiaries (which includes DRFM);
- (2) a change in strategic direction of the business of DRH or its subsidiaries;
- (3) entry into a business outside the Core Business by DRH or its subsidiaries;
- (4) entry by a company wholly owned by DRO into a business which is not DRT Real Estate Business; and
- (5) an acquisition by DRH or a subsidiary of a business outside Australia;

An acquisition of real estate by one of the listed trusts or any other trust for which DRFM acts as trustee or manager or any new DRT Real Estate Business by a company owned by DRO, does not require approval by Shareholders;

- (b) incorporating a subsidiary of DRH;
- (c) any corporate action which would dilute a Shareholder's interest in DRH (except for a sale of shares in DRH pursuant to the terms of the deed);
- (d) any change in the number of directors;
- (e) any proposal to change the composition of the board (other than as described below);
- (f) all compliance policies and procedures and any

amendment to or replacement of them;

- (g) any change in the control committees (referred to below) including any changes to agreed control protocols;
- (h)
 - (1) any assignment, declaration of trust, creation of encumbrance over the shares owned by a Shareholder or by DRH or subsidiary in respect of Core Business (other than as trustee of the listed trusts); or
 - (2) disposal of any rights and interests under the deed by any party other than as permitted under the deed;
- (i) appointment of an auditor for DRH or its subsidiary;
- (j) the repayment of any shareholders' loan without making an equivalent repayment to any other shareholder;
- (k) any corporate action which alters the equity structure of DRH or a subsidiary;
- (l) a proposal to cease to carry on the Core Business or a substantial part of it or to wind up or dissolve DRH or a subsidiary;
- (m) any alteration of rights conferred on shares in DRH;
- (n) merging or amalgamating DRH or a subsidiary with any other entity;
- (o) any sale, lease, exchange or other disposition of:
 - (1) all or a material part of the assets of DRH or a subsidiary; or
 - (2) all or a substantial part of the Core Business;
- (p) DRH or a subsidiary in any year:
 - (1) raising any financial accommodation for the Core Business resulting in an increase in the total indebtedness of DRH or any subsidiary; or
 - (2) entering into or becoming liable under a guarantee or indemnity or similar arrangement under which DRH or any subsidiary may incur a liability in respect of the financial obligation of any other person relating to the Core Business, other than financial accommodation in place on the completion date or set out in the business plan. This does not apply to raising financial accommodation for DRO where a trustee indemnity applies;
- (q) entry into or variation or termination of material contracts or unusual or non-arm's length contracts;
- (r) the business plan of DRH and DRFM and any accounts;

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- (s) instigating, defending or settling certain litigation or dispute proceedings in connection with Core Business which are material.
- (t) approving payment of dividends or other distributions to shareholders;
- (u) change to the constitution of DRH or a subsidiary; and
- (v) approval of an internal audit plan on an annual basis.

Boards

The boards of DRH and DRFM should comprise the same appointees. The boards each comprise up to nine directors of whom:

- (a) three are appointed by DAL;
- (b) four are independent directors appointed by DRH's independent directors but whose appointment is subject to approval of unitholders at the next general meeting of unitholders.

In addition, if DAL has not appointed the CEO as one of its three nominees, or it removes the CEO as its nominee, then DRFM as trustee of DRO (by a resolution of the Independent Directors of DRH board) may appoint the CEO as a director and may also appoint an additional person to be an Independent Director. Subject to a duty to act in the best interests of unitholders, DRO (by a resolution of the Independent Directors) will appoint persons nominated by holders of Stapled Securities to be Independent Directors.

The initial directors of DRH and the directors of DRFM are:

- (a) Daniel Weaver (appointed by DAL);
- (b) Shaun Mays (appointed by DAL);
- (c) Victor Hoog Antink (appointed by DAL);
- (d) Stewart Ewen (Independent Director);
- (e) Christopher Beare (Independent Director); and
- (f) Two other Independent Directors yet to be nominated.

Directors appointed by DAL may be removed and replaced by DAL. A vacancy in the appointment of an Independent Director will be filled by a person appointed by the remaining Independent Directors but must be approved at the next general meeting of DRO. Independent Directors must submit themselves for approval at least once every 3 annual general meetings of stapled unitholders (or at such other general meetings as the Independent Directors of DRH direct). One Independent Director must submit himself for approval at the 2005 annual general meeting of stapled unitholders, another Independent Director must submit himself for approval at the 2006 annual general meeting of stapled unitholders and the remaining Independent Directors must submit themselves for approval at the 2007 annual general meeting of stapled unitholders.

DRH and DRFM must have a common chairperson and the first chairperson will be Christopher Beare. The chairperson does not have a casting vote.

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The directors are obliged to act in good faith and in the best interests of DRH or DRFM (as applicable) as a whole. Subject to this duty and the duties of directors set out in the Corporations Act, a director appointed by a particular Shareholder may have regard to, and act in the interests, of their appointor.

DRH will take out standard directors and officers insurance and directors will be paid fees as recommended by the Compensation Committee and approved by DRO and FAP under DRH's Constitution. Any fees payable to directors appointed by DAL must be paid to DAL (unless DAL otherwise agrees). Directors fees may include pecuniary amounts and non-pecuniary incentives.

CEO control

Victor Hoog Antink will be the first CEO of DRH and DRFM. For any future appointments of CEO, DAL must nominate a person to be CEO but the appointment will be subject to approval of DRH board. If DAL has not appointed the CEO as one of its three nominees directors, then DRO (by a resolution of the Independent Directors of DRH) may appoint the CEO as a director.

DRH and DRFM may delegate any of their powers to the CEO.

Meeting and resolutions

The directors of DRH must meet monthly unless otherwise agreed by DRH's board. If a total of 7 directors are appointed, the quorum for a meeting of directors of DRH or DRFM is 2 directors appointed by DAL and 2 Independent Directors (or any greater number determined by DRO and FAP). If 8 or 9 directors are appointed, the quorum for board meetings is 3 directors appointed by DAL and 3 Independent Directors (or any greater number determined by the DRO and FAP).

Matters referred to above requiring Shareholder approval must be approved by Shareholders of DRH representing more than 50% of the total voting rights of all issued shares of DRH. At the commencement of the deed therefore, the approval of both DRO and FAP will be required to obtain such approval.

The deed also contains provisions relating to use of technology at meetings, appointment of alternate directors, and written resolutions of shareholders and directors.

Control structure and compliance

As soon as practicable after the date of commencement of the deed, DRH must establish a number of control and other operating committees to oversee the activities of DRH and its subsidiaries. The committees to be established are:

- an executive committee;
- a board remuneration committee;
- a board audit committee;
- a compliance committee;
- an operating committee (for the term of the Transitional Services Agreement only);
- a portfolio review committee;
- a compliance and internal audit committee;
- a new product committee;
- a risk committee;
- a finance and treasury committee; and
- a compensation committee.

DRH and DRFM must (and must ensure that their subsidiaries) establish and maintain a compliance and control environment, having regard to the nature of their businesses, to a standard at least equivalent to that applicable at Deutsche Asset Management (Australia) Ltd, or to a higher standard if required by law, including policies relating to matters such as "chinese walls" and protection of information, management of conflicts of interest, handling of breaches, errors and complaints, anti-money-laundering and approval of new products. In addition, DRO, DRH and its subsidiaries (including DRFM) must register all potential transactions with DAL's compliance area for the management of conflicts of interest.

All major decisions relating to employing, terminating employment, performance evaluation, compensation and promotion of employees of DRT who are working in the human resources, internal audit, legal or compliance functions must be made, in respect of each function, by agreement between DRH and DAL.

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Business Plan and accounts

The parties will adopt a business plan. Subsequent business plans must be prepared each year but for the following 18 month period and must be submitted to the board of DRH and to DRFM and FAP for consideration and, if thought fit, approval no later than 1 June each year for the following financial year.

DRH must provide DAL with an update to the business plan by 1 September each year.

DRH must prepare monthly management accounts and the usual statutory accounts. The books of DRH must be audited annually and have an internal audit programme.

Reporting obligations

DRH and DRFM must give DAL and its representatives access to its premises and records of the Core Business at all reasonable times on reasonable notice and access to the risk and compliance IT systems of DRH and its subsidiaries.

In addition, DAL is entitled to be provided with additional information which maybe summarised as follows:

- (a) the business plans;
- (b) a full set of board papers for each board meeting;
- (c) notices, reports or other communications received by DRH or a subsidiary from a regulator;
- (d) subject to preserving legal professional privilege, details of the instigation, defence or settlement of certain litigation proceedings and other disputes which are material;
- (e) any other information that FAP reasonably requires (subject to applicable obligations of confidence and laws including privacy laws).

Capital

It is intended that DRH and the subsidiaries will be self-funding. Funding of non-Core Business by DRO will require funding by holders of stapled units and such business will not be funded by DRO or FAP.

If the transaction is approved by unitholders, DRFM will be a Responsible Entity holding an Australian Financial Services Licence and as such, it must maintain a minimum amount of capital (which is currently A\$5m).

If DRH is required to recapitalise DRFM so that it maintains its minimum regulatory capital, then DAL (directly or through FAP) and DRO must each provide their respective proportions of such additional equity (on commencement of the deed, this will be 50% each).

The amount of any dividend is at the sole discretion of the board of DRH, but the stated intention of DRO and FAP is that any surplus cashflow generated from operational activities should be distributed to DRO and FAP as shareholders of DRH.

Any issue of shares in DRH must be in accordance with a resolution of DRO and FAP as Shareholders of DRH and DRO and FAP must comply with any such resolution.

Dealing with shares and loan notes

The deed will contain provisions which restrict the capacity of Shareholders to transfer their interests (comprising shares and loan notes) in DRH.

FAP and DRFM are not permitted to transfer their shares or loan notes in DRH except if they transfer all of their shares and loan notes and then only:

- (a) with the prior written consent of the other Shareholder;
- (b) to a custodian or bare trustee (provided that, broadly, the relevant Shareholder will be responsible for all actions of its custodian or bare trustee as if that Shareholder was the registered holder of the shares and loan notes);
- (c) to a related body corporate provided that, broadly, before such related body corporate ceases to be a related body corporate wholly owned within the within the Deutsche Bank Group or DRT (as the case may be), it must transfer the shares and loan notes back to a wholly owned related body corporate within the Deutsche Bank Group or DRT (as the case may be); or
- (d) (in the case of shares and loan notes held by FAP), under the put option and call option described below.

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Put option

FAP has the right to require DRFM to acquire its interests (comprising shares and loan notes) in DRH if any of the following happen:

- (a) a person and their associates (as defined in Section 12 of the Corporations Act) (other than DAL and its related bodies corporate) acquire a relevant interest, in aggregate, in 30% or more of the Stapled Securities;
- (b) DAL ceases to be a related body corporate of Deutsche Bank AG;
- (c) Deutsche Bank Group dispose all or substantially all of its US real estate funds management business (presently RREEF) or its global real estate funds management business; or
- (d) FAP is required by law or a regulator to dispose of its shares.

After any of the events described above happen, FAP has six months within which to serve a notice requiring DRFM to acquire its interests (comprising shares and loan notes) in DRH.

If FAP requires DRFM to acquire its interests in DRH then DRFM must pay FAP the purchase price for the interests. The calculation of the purchase price will be assessed by reference to half of 1.28% of the FUM of DRH and its subsidiaries plus the Net Tangible Assets (NTA) of DRH and its subsidiaries. The relevant FUM and NTA will be assessed as at the date of exercise the put option.

The purchase price may be funded either by cash or by procuring the issue of Stapled Securities (the number of Stapled Securities being determined by reference to the volume weighted average price of the Stapled Securities in the 10 business day period commencing on the date that the put is exercised). In the event that the issue of Stapled Securities is not permitted, then the purchase price must be paid in cash.

The sale and purchase of the interests (comprising shares and loan notes) in DRH must be completed within 40 business days after service of the notice, or 15 business days after the calculation of the agreed value of the FUM and NTA, whichever is the later.

Call option

DRFM has the right to call upon FAP to sell its interests (comprising shares and loan notes) in DRH to DRO if any of the following occur:

- (a) DAL ceases to be a related body corporate of Deutsche Bank AG; or
- (b) Deutsche Bank Group disposes of all or substantially all of its US real estate funds management business (presently RREEF) or its global real estate funds management business.

DRFM has six months after the happening of any of the above to exercise its rights. The calculation of the purchase price, the means of payment and the time for completion are identical to the provisions for the put option described above.

Undertaking

DAL undertakes that while it or FAP is a Shareholder, it will only (and will procure that its subsidiaries only) issue Direct Real Estate Property Management Products (as described above) (other than IYS) to retail or wholesale clients in Australia or New Zealand through DRFM, unless otherwise agreed to by DRO. This undertaking does not extend to products offered as part of a global offering originating from a member of the Deutsche Bank Group outside Australia.

In addition, DRH and DRFM and DAL, respectively, give undertakings that they will not (and will procure that their respective subsidiaries will not) make offers of employment or entice away employees of the Deutsche Bank Group or DRH and DRFM, respectively. These obligations are subject to certain exceptions for unsolicited approaches and not apply to employees whose employment transfers to DRH under the Transitional Services Agreement described in section 19.2 of this document.

Confidential information

The deed contains restrictions on disclosure of confidential information which includes a provision broadly that if a party receives price-sensitive information about the other, then that party must establish appropriate "Chinese wall" procedures to limit access to the price-sensitive information.

Warranties

Each party agrees to exercise all its powers to perform and observe its obligations under the deed and warrants that it has full power and authority and has taken necessary corporate action to enter into the agreement and that the agreement is legal, valid and binding on it.

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Deutsche Wholesale Property Fund

DAL agrees that it will use all reasonable efforts for 12 months after the date of commencement of the deed to ensure that DBRE does not resign or surrender its role as responsible entity of Deutsche Wholesale Property Fund (other than in favour of DRFM or a subsidiary).

DRFM agrees to provide such support as DAL may reasonably require to enable DBRE to carry out its obligations as responsible entity of Deutsche Wholesale Property Fund and any other mandates, listed schemes, or sub-trusts, the management of which has not been assigned or delegated to DRFM upon the commencement of the deed. DRFM and DRH will charge a fee for this based on its cost of providing the service (by reference to time incurred by relevant staff and agreed staff rates) or such other amount agreed.

Guarantee and indemnity

DAL will guarantee to DRO the due and punctual performance by FAP under the deed on demand. As a separate undertaking DAL indemnifies DRO against all liability or loss arising from and any costs incurred in connection with a breach by FAP of its obligations under this deed.

(4) Transitional Services Agreement

Under this proposed agreement to be entered into by DAL and DRH, DAL will agree to provide certain transitional services including IT services, employee and human resources services, compliance services, premises services, administration services, legal services and other services. The services are to be provided to DRFM, DRH and any subsidiaries from the date of completion of the Share Sale Agreement (which is summarised in Section 19.2(b)(1) of this Explanatory Memorandum).

Service fees are to be based on the cost to DAL of providing the services including any on-costs.

The transitional services are proposed to be provided for a period of up to twelve months at service levels to be determined. DRFM has the option to extend the term for a further 3 months. It is proposed that the agreement will be subject to early termination in certain circumstances, including termination:

- by either party in the event of a material breach which is not remedied; and
- by either party upon termination of the Shareholders Deed, or on the exercise of the put option referred to in Section 19.2(b) above; or

- by DAL, upon a change of control of DRT, or upon DRFM ceasing to be the Responsible Entity of any of DOT, DIT, DDF or DRO.

DRFM also has an overriding right to terminate the agreement in relation to one or more of the transitional services upon giving 3 months notice.

If the services are provided to DAL by a third party supplier, it is proposed that, subject to any consents that might be required, they will be passed on to DRFM, but DAL will not be liable to the extent that the third party is in breach.

The parties will each appoint a relationship manager to identify any issues, but also to prepare a migration plan for the transition of services and assets to DRFM from DAL to DRFM and DRH.

If DAL fails to provide services at the agreed service level, it must at its cost rectify the failure.

There are a number of limitations on DAL's liability in providing the services. Any damages for which a party is liable is limited to bodily injury or damage to property or any other amount of direct loss or damage up to A\$10 million. This limit does not apply where a person has been reckless or wilful in the default. Furthermore, the parties will not be liable for any indirect or consequential loss or any loss or corruption of data except for the costs of rectification.

It is proposed that, subject to their agreement, key employees of DAL will transfer to DRH at the commencement of the agreement. Also, certain employees engaged in providing the transitional services may, if they agree, transfer to DRH during the term of the agreement or at its conclusion and their entitlements will be adjusted between the parties. DRH is also liable to pay an amount to be agreed of any redundancy payments to employees identified for transfer who do not transfer.

Subject to certain exceptions, during the term of the agreement and for a period of twelve months afterwards, the parties must not attempt to entice away the other's employees.

It is proposed that DRFM will have access to the books and records of DAL and DeAM for the purposes of properly monitoring the performance of the services and to ensure that nothing is being done which would place DRFM in breach of any applicable laws and regulations. DAL must ensure that DeAM maintains its Australian Financial Services Licence and adequate and professional indemnity insurance throughout the term of the agreement.

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DAL must report to DRFM material breaches of DeAM's Australian Financial Services Licence any material breach of the agreement, any change in key personnel or any other matter which they reasonably believe to be material.

(5) Brand Control and Trademark Licence Deed

This proposed deed is between Deutsche Bank AG, RREEF America LLC, Deutsche Australia Limited and DRFM.

Under the proposed deed DRFM is given the right to use the brand which comprises the words "DB RREEF Trust managed in partnership with Deutsche Bank" together with the Deutsche Bank symbol. The licence is in relation to the brand as a whole and insofar as the brand consists of trade marks owned by the Deutsche Bank group, a licence to use those trade marks but only as part of the brand.

The licence extends to using the words DB RREEF as part of the name of the trusts and companies forming the DRT group.

The licence is limited to use in the Core Business of DRFM (see the definition of "Core Business" in the summary of the Shareholders Deed in Section 19.2(b)).

The term of the proposed deed is 3 years commencing on the day that DRO acquires the 50% interest in DRH under the Share Sale Agreement. However, the licensors can terminate the licence at any time at will on 20 Business Days' notice.

The fees payable by DRFM are limited to the reasonable costs incurred by DAL and its related bodies corporate in providing the management services associated with the use of the brand.

The proposed deed contains an indemnity by DRFM for any breach made of the terms of the agreement.

DRFM is required to give notice to DAL before booking any advertising space or time. There are also restrictions in relation to media relations including the requirements to give DAL notice of the obtaining of services from any public relations firm or other similar organisation or service, and sponsorship deals entered into by DRFM.

DRFM must also get consent to any press releases which use the brand.

DAL also has the right to approve any templates for use of the brand including letterhead, business cards and envelopes.

DRFM must ensure that all services in respect of which it uses the brand are of high standard, comply with all standards and requirements notified by the licensors or

DAL, and with all laws and are consistent with the approvals obtained by DRFM from DAL.

DRFM is also required to keep records of its usage of the brand and to make those records available for inspection and provide information to DAL about such usage.

The licence granted in respect of the brand is exclusive in relation to the Core Business services but is non-exclusive to the extent that the licensors may license other persons to use the brand in relation to other goods or services.

Also, the licensors may license other persons to use the trade marks which comprise part of the brand in relation to any goods or services including the types of services which fall within the Core Business.

(6) Loan Subscription Agreement and Loan Note Deed Poll

Pursuant to a loan subscription agreement between FAP and DRH, FAP will subscribe for 35 million shares in DRH (Shares) and 105 million Loan Notes to be issued by DRH. The shares will be fully paid to A\$1 and each Loan Note will have a principal amount of A\$1.

The Loan Notes will be issued on the terms and conditions set out in the loan note deed poll to be executed by DRH (Loan Note Deed Poll). The issue of the Loan Notes by DRH to FAP will take place by DRH making an inscription in a loan note register. The Loan Notes must be redeemed in full by DRH on the 20th anniversary of the date on which the Loan Notes are issued (Maturity Date) or earlier if DRH gives all holders of Loan Notes (Note Holders) at least three Business Days' prior notice or if all Note Holders request such redemption.

The Loan Notes constitute direct, unconditional and unsecured obligations of DRH. If any one of certain specified "Insolvency Events" occurs in respect of DRH, the rights and claims of Note Holders in respect of moneys owed under the Loan Notes will be subordinated and postponed and made subject in right of payment to all amounts payable to, and the rights and claims of all secured and other unsecured creditors of DRH.

Loan Notes earn interest at the rate of 11% pa. Interest accrues on the daily balance of the principal outstanding under the Loan Notes and is payable on the last business day of each financial quarter (Interest Payment Date). If accrued interest is not paid by DRH on any Interest Payment Date (not including the Maturity Date) in respect of any Loan Note, the interest will be credited to the Note Holder and capitalised and added to the principal amount of

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the Loan Notes from and including the Interest Payment Date and will bear interest accordingly;

The Loan Notes will initially be issued only to FAP. However the Loan Note Deed Poll contemplates that FAP will transfer 50% of the Shares and 50% of the Loan Notes to DRFM in its capacity as Responsible Entity of DRO pursuant to the Share Sale Agreement. The transfer of the Shares and Loan Notes will take place upon completion under the Share Sale Agreement (Transfer Date), and thereafter the rights and obligations of FAP and DRFM as holders of Shares and Loan Notes will be regulated by the Shareholder's Deed.

The Loan Note Deed Poll provides that Note Holders must not transfer any Loan Notes except that:

- on the Transfer Date, FAP must transfer 50% of its Loan Notes and 50% of the Shares held by it to DRO on the terms set out in the Share Sale Agreement; and
- after the Transfer Date, a transfer of Loan Notes may only be made in accordance with the Shareholder's Deed.

(7) Management Delegation Deed

This proposed deed is between DRFM and DBRE. The purpose of this deed is for DBRE to delegate its responsibilities as responsible entity of DWPF to DRFM.

The fees payable by DBRE to DRFM will be an amount equal to the fees that are payable to DBRE for acting as responsible entity of DWPF. DBRE must also pay or reimburse DRFM for all costs or liabilities incurred by DRFM in performing its functions under the deed other than certain costs or liabilities which are not payable out of the assets of DWPF.

The deed will automatically terminate on the earlier of:

- 31 December 2004, if the Stapling Proposal has not been completed; or
- DBRE ceasing to be the responsible entity of DWPF (unless the replacement responsible entity is a related body corporate of DBRE); or
- the finalisation of the winding up of DWPF.

The deed may also be terminated in other circumstances including DRFM acting in breach of trust or applicable law or upon the occurrence of certain insolvency related events.

DRFM agrees to indemnify DBRE in relation to costs and liabilities incurred by DBRE as responsible entity of DWPF or DRFM's performance of the deed except certain costs or liabilities for which DBRE is reimbursed out of the assets of DWPF or arising as a result of an act or omission by DBRE

whereby it loses its right to be indemnified or a breach by DBRE of the deed.

DBRE agrees to indemnify DRFM in relation to any costs or liabilities incurred by DRFM in respect of which DBRE is entitled to be indemnified out of the assets of DWPF except certain costs or liabilities arising out of an act or omission by DRFM which would have resulted in a loss of DBRE's right to be indemnified or a breach by DRFM of the deed.

(c) STC acquisitions

(1) Put & Call Option Agreement:

Westfield Shoppingtown Mt Druitt

Under this agreement, STC has granted a call option to DBRE, and DBRE has granted a put option to STC, in respect of the "Securities". The "Securities" are:

- 87,552,783 ordinary fully paid units (being 50% of the units) in the Mt Druitt Shopping Centre Trust, which owns Westfield Shoppingtown Mt Druitt ("property"); and
- 1 ordinary fully paid share (being 50% of the shares) in Stonehenge Pty Limited (ABN 39 095 084 674), which is the trustee of the Mt Druitt Shopping Centre Trust.

Call Option

DBRE (in its personal capacity) (or its nominee) may exercise its call option at any time before 31 December 2004, but before doing so must first deliver to STC a notice of intention to call.

Within 60 days after service of that notice:

- DBRE must, in good faith, conduct its due diligence enquiries in relation to the Securities and the property;
- DBRE and STC must arrange for the valuation of the property to determine the purchase price; and
- the call option may be exercised.

If the call option is exercised on or before 31 October 2004, the purchase price will be \$132,566,001 (unless DBRE, acting reasonably, identifies a matter in its due diligence enquiries which will reduce the value of the property by more than 5% (in which case the purchase price will be determined pursuant to the valuation method described below)).

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If the call option is exercised after 31 October 2004, the purchase price will be 50% of the value of the property as determined by valuation, plus \$1.00 STC and DBRE must each appoint a valuer from a list specified in the agreement. If the difference between the two valuers' determinations:

- is not greater than 5% of the lower of the determinations, then the purchase price will be the higher of the determinations; or
- is greater than 5% of the lower of the determinations, then the purchase price must be determined by a third valuer who must determine the open market value of the property having regard to the same considerations as the previous valuers.

Put Option

STC may put the Securities to DBRE (as responsible entity of DDF) at any time after 1 January 2005 but before 5.00pm on 15 January 2005.

The purchase price must be determined by the valuation procedure applicable to the call option.

Contract

The contract attached to this agreement is an arms length contract for the sale of securities of this type.

If the call option is exercised, the completion date under the contract will be the day that is 60 days after DBRE delivered its notice of intention to exercise the call.

If the put option is exercised, the completion date under the contract will be a date no later than 2 March 2005.

(2) Put & Call Option Agreement: Westfield Shoppingtown Hurstville

Under this agreement, STC has granted a call option to DBRE, and DBRE has granted a put option to STC, in respect of the "property". The "property" is STC's 50% interest in the land and building known as Westfield Shoppingtown Hurstville and 292 Forest Road, Hurstville (the land in certificates of title Volume 8641 Folio 204 and Volume 8634 Folio 197, respectively) together with the leasehold interest in the Airspace Lease (being the lease dated 22 December 1987 from the Council).

Call Option

DBRE (in its personal capacity) (or its nominee) may exercise its call option by delivering to STC a notice of intention to call at any time between 5 November 2004 and 1 July 2005, but before doing so must first deliver to STC a notice of intention to call.

Within 60 days after service of that notice:

- DBRE must, in good faith, conduct its due diligence enquiries in relation to the property;
- DBRE and STC must arrange for the valuation of the property to determine the purchase price; and
- the call option may be exercised.

STC and DBRE must each appoint a valuer from a list specified in the agreement. If the difference between the two valuers' determinations:

- is not greater than 5% of the lower of the determinations, then the purchase price will be the higher of the determinations; or
- is greater than 5% of the lower of the determinations, then the purchase price must be determined by a third valuer who must determine the open market value of the property having regard to the same considerations as the previous valuers.

Put Option

STC may put the property to DBRE (as responsible entity of DDF) at any time after 2 July 2005 but before 5.00pm on 16 July 2005.

The purchase price must be determined by the valuation procedure applicable to the call option.

Contract

The contract attached to this agreement is an arms length contract for the sale of an interest in land subject to tenancies.

If the call option is exercised, the completion date under the contract will be the day that is 60 days after DBRE delivered the notice of intention to exercise the call.

If the put option is exercised, the completion date under the contract will be a date no later than 31 August 2005.

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(3) Put & Call Option Agreement: Barrack Street

Under this agreement, STC has granted a call option to DBRE, and DBRE has granted a put option to STC, in respect of the "property". The "property" is the land and building known as 16-20 Barrack Street, Sydney and contained in folio identifier 2/771947.

Call Option

DBRE (in its personal capacity) (or its nominee) may exercise its call option at any time before 31 October 2005, but before doing so must first deliver to STC a notice of intention to call.

Within 60 days after service of that notice:

- DBRE must, in good faith, conduct its due diligence enquiries in relation to the property;
- DBRE and STC must arrange for the valuation of the property to determine the purchase price; and
- the call option may be exercised.

STC and DBRE must each appoint a valuer from a list specified in the agreement. If the difference between the two valuers' determinations:

- is not greater than 5% of the lower of the determinations, then the purchase price will be the higher of the determinations; or
- is greater than 5% of the lower of the determinations, then the purchase price must be determined by a third valuer who must determine the open market value of the property having regard to the same considerations as the previous valuers.

Put Option

STC may put the property to DBRE (as responsible entity of DDF) at any time after 1 November 2005 but before 5.00pm on 15 November 2005.

The purchase price must be determined by the valuation procedure applicable to the call option.

Contract

The contract attached to this agreement is an arms length contract for the sale of an interest in land subject to tenancies.

If the call option is exercised, the completion date under the contract will be the day that is 60 days after DBRE delivered its notice of intention to exercise the call.

If the put option is exercised, the completion date under the contract will be a date no later than 31 December 2005.

(4) Co-owners' agreements

As part of DDF's acquisition of STC's interests in Westfield Shoppingtown Hurstville and Westfield Shoppingtown Mt Druitt, DBRE will be required to enter into co-owners agreements with Westfield Management Limited in its capacity as responsible entity of the Westfield Trust (WML).

These agreements will be in the same form as the co-owners agreements that DBRE and WML will enter into as part of the regional retail portfolio transaction (see section 7.2).

Accordingly, the form of co-owners agreements described below will apply to the properties at:

- Mt Druitt;
- Hurstville;
- North Lakes;
- Plenty Valley;
- West Lakes; and
- Whitford City

Pursuant to each co-owners agreement, DBRE and WML:

- formalise their intentions to hold the relevant centre as a joint investment; and
- set out the criteria for the continued co-ownership of the relevant centre.

Term of agreement

Each agreement commences on execution of the agreement and terminates:

- by the written agreement of the parties; or
- upon sale of the centre by the parties; or
- upon one of the co-owners acquiring the whole of the centre, which may occur in certain circumstances including after default by the other co-owner.

Shared income and expenses

The co-owners agreements provide that DBRE and WML will share all income, revenue and profits derived from the operation and management of the relevant centre, in proportion to their respective interests in the centre. The agreements also provide that DBRE and WML will share, in those same proportions, all outgoings, expenses, charges and liabilities incurred in relation to or arising out of the holding, management and operation of the centre.

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Management matters

The agreements require DBRE and WML to establish a joint venture committee for the centre, which must review and make determinations on policy issues relevant to the co-ownership and management of the centre.

The agreements contain provisions in which DBRE and WML acknowledge that they have entered into:

- a management agreement with Westfield Shopping Centre Management Co. Pty Limited, who will undertake the daily management of the particular centre; and
- a development framework agreement with Westfield Design and Construction Pty Limited, relating to further development of the centre.

Sale and pre-emptive rights

If either DBRE or WML wishes to sell the whole or part of its interest in the centre other than by way of a Permitted Transfer (see below), it must first offer to sell that interest to the other co-owner by tender, who has 60 days within which to lodge a tender for the purchase of that interest. The co-owners agreements provide that a party cannot hold less than a 25% interest in the centre.

If the other co-owner does not wish to purchase the interest of the selling co-owner, then the latter may sell its interest to a third party on the open market on terms and at a price not materially more favourable than the terms and price offered to the other co-owner. The sale to a third party must occur within 9 months of the date of closure of the tender process described above, otherwise the selling co-owner must again offer to sell its interest to the other co-owner.

Permitted Transfers

The sale and pre-emption rights described above do not apply to transfers which are “Permitted Transfers”

In the case of DBRE, a Permitted Transfer is defined to include a transfer of DBRE's interest in the centre (being not less than a 25% interest in the centre) to a transferee which is:

- a custodian, agent or other person appointed by the responsible entity or trustee of DDF, where the relevant interest in the centre remains an asset of DDF;
- the responsible entity or trustee of DDF;
- a responsible entity or trustee or custodian of a managed investment scheme or trust which has a responsible entity or trustee that is a Deutsche Related Corporation; or

- a Deutsche Related Corporation.

A Deutsche Related Corporation is defined to include:

- a body corporate controlled by Deutsche Bank or which is controlled by a body corporate which Deutsche Bank controls (each within the meaning of s.50AA of the Corporations Act);
- a body corporate all the shares of which are held by a Deutsche Related Corporation and/or the responsible entity, trustee, custodian, agent or other person holding the property of a managed investment scheme or trust the securities of which are stapled to the issued securities of DDF so that those securities and any other securities to which they are stapled can only be traded on a stapled basis and cannot be traded separately; or
- a body corporate which is controlled by a body corporate referred to in the immediately preceding paragraph above within the meaning of s.50AA of the Corporations Act.

Change in ownership of a co-owner

The co-owners agreements provide that where there is a change in ownership of a co-owner, that co-owner must comply with the sale and pre-emptive rights provisions as if that co-owner were selling its interest in the centre.

The agreements define “Change in Ownership of a Co-owner”, subject to the exceptions referred to below, as:

- a change in shareholding of that co-owner or any company which is a holding company of that co-owner within the meaning of the Corporations Act; or
- another event occurs which results in a change in the control of the co-owner or its holding company that existed at the date that co-owner became a party to the relevant co-owners agreement; or
- a change or alteration occurs in the corporate structure of the co-owner or its holding company,

(whether occurring at one time or through a series or succession of transfers or issues) which results in a person other than the shareholders of the co-owner, or the holding company, at the date the co-owner became a party to the relevant co-owners agreement:

- controlling the composition of the board of directors of the co-owner;
- controlling the voting power of the board of directors or any class of shareholders or both of the co-owner; or

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- holding more than one half of the issued share capital (either beneficially or otherwise) of the co-owner,

other than in circumstances where a co-owner or its holding company is a company, the voting shares of which are listed on a recognised Stock Exchange in Australia and the change of control is effected solely by transfer of shares in the capital of the listed company.

In addition, the co-owners agreements define “change in ownership of a co-owner”, subject to the same exceptions, as a change in the trustee or responsible entity of a trust or managed investment scheme which is a trust or managed investment scheme of which a Deutsche Related Corporation is the trustee or responsible entity and where the interest in the centre is held by a co-owner in the capacity of responsible entity, trustee, custodian, sub custodian or agent on behalf of such trust or managed investment scheme.

Exceptions to definition of change in ownership of a co-owner

However, the co-owners agreements provide that a “Change in Ownership of a Co-owner” does not include, in the context of DBRE:

- a change in shareholding or corporate structure or another event affecting control or ownership of a responsible entity, trustee, custodian, agent or other person holding an interest in the centre for a managed investment scheme or trust where the trust or managed investment scheme remains a managed investment scheme or trust of which a Deutsche Related Corporation is the responsible entity or trustee despite the change or event; or
- a change in shareholding or corporate structure or another event affecting control or ownership of a responsible entity, trustee, custodian, agent or other person holding an interest in the centre for a managed investment scheme or trust where such change or event is a direct result of, in the case of a managed investment scheme or trust of which a Deutsche Related Corporation is the responsible entity or trustee, the sale or disposal by Deutsche Bank of its global real estate business; or
- a change in the responsible entity of a trust or managed investment scheme as the result of a resolution validly passed by the holders of units or other interests in such trust or managed investment scheme.

Accession

Any new co-owner who acquires an interest in the relevant centre, whether by Permitted Transfer or otherwise, must prior to the completion of the transfer agree in favour of the other co-owner to be bound by the co-owners agreement, the management agreement and the development framework agreement in relation to that centre.

(d) US acquisition

(1) Acquisition Costs Agreement

DBRE (in its personal capacity and as responsible entity of DDF), DeAM (as responsible entity of DIT and DOT) and the US REIT have entered into an agreement with respect to funding of the deposit and acquisition costs associated with DBRE and DeAM’s subscription for shares in the US REIT.

Under the agreement, the responsible entities of DIT and DDF must each fund 50% of:

- the US\$5 million deposit payable under the Contribution Agreement;
- and costs incurred in connection with the acquisition of the US Assets,

However, if one of the responsible entities loses its right to subscribe for shares in the US REIT, and the remaining responsible entity subscribes for all issued shares in the US REIT, the remaining party must fund 100% of deposit and any US acquisition costs invoiced after the exiting responsible entity party loses its right to subscribe. Costs (excluding the deposit) invoiced prior to the exiting responsible entity party losing its right to subscribe for shares remain payable by the responsible entities of DIT and DDF in equal shares.

If both DIT and DDF are the subject of takeover events such that they both lose their right to subscribe for shares in the US REIT or if the Contribution Agreement is terminated prior to the completion (other than in circumstances in which CalWest Sub is obligated to refund the deposit), then each of the responsible entities of DDF, DIT and DOT will fund its pro rata share of the deposit and all US acquisition costs, in accordance with the Stapling Ratios.

If the Contribution Agreement is terminated prior to the completion of the US acquisition, and that termination is the result of the DDF, DIT or DOT unitholders voting against the Transaction, then DBRE will, out of its own funds, reimburse the responsible entities of each of DIT, DOT and DDF for up to A\$5 million, in accordance with the Stapling Ratios.

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(2) Subscription Agreement for shares in the REIT

DBRE (as responsible entity of DDF), DeAM (as responsible entity of DIT), DAL and the US REIT have entered into the Subscription Agreement pursuant to which DBRE and DeAM have agreed to subscribe for shares in the US REIT in conjunction with the completion of the US REIT's investment in the US Joint Venture.

As consideration for shares of the US REIT to be issued under the agreement, each of the DIT and DDF responsible entities have agreed to provide the US REIT with the Contribution Amount, as calculated under the Contribution Agreement (**the Total Issue Price**). The Total Issue Price payable by the DDF and DIT responsible entities will be reduced by the amount of any loans provided to the US REIT from the DDF or DIT responsible entities, their affiliates or by unaffiliated third parties at the request of the DDF or DIT responsible entities or their affiliates. Any such loans must be on terms and conditions reasonably acceptable to the US REIT.

Each of the DDF and DIT responsible entities will contribute 50% of the Total Issue Price payable under the agreement and will each receive 50% of the shares issued. However, if either DDF or DIT is the subject of certain takeover events (include any proposal to change the responsible entity of either DDF or DIT, other than pursuant to the Transaction), the responsible entity of the affected trust will lose its rights to subscribe for shares.

If one of the responsible entity parties loses its rights to subscribe for shares, then the remaining party must contribute 100% of the Total Issue Price and will receive 100% of the issued shares, provided that the remaining responsible entity is not also simultaneously the subject of a takeover event. The number of shares issued and the price per share will be as mutually agreed by the DDF and DIT responsible entities and the US REIT, or in the absence of any such agreement by the US REIT.

Either of the DDF and DIT responsible entities has the right to assign all or part of its subscription rights under the agreement to the other responsible entity, or to the responsible entity of DOT (provided that DOT has not been the subject of a takeover event).

The US REIT may not issue any shares under the Subscription Agreement without the prior written consent of DAL, which it can grant or withhold its consent in its sole discretion.

(3) Shareholders Agreement for the US REIT

DBRE, DeAM and the US REIT will enter into a shareholders agreement that will govern the relationship among the shareholders and the US REIT. The agreement will cover, among other things:

- each shareholder's right to appoint directors to the board and related corporate governance issues;
- each shareholder's rights and obligations in connection with the future funding needs of the US REIT;
- restrictions on share transfer and rights of first offer with respect to the shares in the US REIT;
- non-competition with the US REIT; and
- dispute resolution mechanisms in connection with any of the above.

In addition, the agreement will provide that upon the occurrence of certain triggering events, each shareholder will have the right to compel the other shareholder to sell its interest in the US REIT to the requesting shareholder or one of its nominees. These triggering events will include:

- any change of responsible entity of DIT or DDF (other than a change to certain permitted responsible entities affiliated with DBRE, DeAM, including DRFM); and
- certain substantial changes in beneficial ownership of DIT or DDF.

Any such sale of shares will be conducted based on the liquidation value of the US REIT.

(4) Contribution Agreement

General

The Contribution Agreement between CalWest Sub and the US REIT sets out each of the parties' obligations in connection with the creation and funding of the US Joint Venture.

Contribution of equity interests in Cabot Holdings

CalWest, directly and indirectly owns 100% of the membership interests in Cabot Holdings. Cabot Holdings, directly and indirectly, owns 100% of the common interests of the Existing Operating Partnership, which in turn owns the US Assets (either directly, or indirectly through subsidiary entities).

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Under the Contribution Agreement, CalWest will cause all of the equity interests in Cabot Holdings to be contributed to the US Joint Venture. The US REIT will contribute to the US Joint Venture an amount of cash equal to 80% of the net value of the properties held by Cabot Holdings. This contribution amount is expected to be approximately US\$208 million.

CalWest Sub representations and warranties

As is customary for US industrial property transactions, CalWest Sub will make representations and warranties about the entities being purchased, but will provide only limited representations and warranties on the properties owned by such entities.

Following closing, CalWest Sub will remain liable for losses arising out of a breach of any representation or warranty under the Contribution Agreement for a period of between 12 months and 25 months, depending on the specific representation and warranty. The maximum aggregate liability of CalWest Sub is US\$25,000,000, although this cap on liabilities will not apply in connection with certain liabilities arising after 7 December 2001, but in any case, CalWest Sub's liability is limited to its interest in the US Joint Venture.

Conditions precedent

The obligations of the US REIT to contribute approximately US\$208 million to the US Joint Venture are subject to certain conditions precedent. In particular, CalWest Sub must have:

- obtained the consent (**the TIAA Consent**) of Teachers Insurance and Annuity Association of America (**TIAA**) under a certain loan agreement with TIAA; and
- obtained a certain loan from PPM Finance, Inc. (**the PPMF Loan**).

The US REIT has the right to waive either of these conditions and obtain a replacement loan on terms reasonably acceptable to the US REIT.

CalWest Sub's obligation to contribute the equity interest of Cabot Holdings to the US Joint Venture is also subject to certain conditions precedent. In particular, CalWest Sub must have obtained the TIAA Consent and the PPMF Consent, or alternatively, the US REIT must have obtained the applicable replacement financing referenced above.

CalWest Sub is also not obligated to complete the transaction if DBRE, DRFM or any of their respective affiliates cease to serve as responsible entity of the beneficial owners of the US REIT (being DDF and DIT). Lastly, one or both of DDF and DIT must have approved the US acquisition no later than 28 September 2004.

If any of the closing conditions are not satisfied or waived as of the closing date, the party intended to benefit by such condition may either waive the condition or terminate the Contribution Agreement. If the approval of either DDF or DIT is not obtained by 28 September 2004, the US REIT forfeits its US\$5,000,000 deposit.

Indemnities

CalWest Sub will indemnify the US REIT and the US Joint Venture against any liabilities (including reasonable attorneys' fees and costs), arising out of:

- any claims for personal injury or property damages arising out of any conduct by any of the owners of the US Assets during the Indemnification Period, to the extent such claims are not fully covered by any applicable insurance policy;
- any tax liabilities due from Cabot Holdings or any of the owners of the US Assets with respect to the Indemnification Period;
- any claims under contracts or leases executed by Cabot Holdings or an owner of US Assets which accrued during the Indemnification Period;
- any default occurring during the Indemnification Period under certain specified loan documents; and
- any claims relating to the properties previously owned by Cabot Holdings but not contributed to the US Joint Venture or any other properties sold or transferred during the Indemnification Period by any of the relevant owners of the US Assets.

The "Indemnification Period" refers to the period beginning on 7 December 2001 and ending immediately prior to the closing date of the US acquisition.

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Damage to US Assets prior to closing

CalWest Sub will pay up to US\$5,000,000 to repair any damage to the US Assets not otherwise covered by insurance in connection with any events that may occur between the date of the Contribution Agreement and the closing of the US acquisition.

If any such damage to the US Assets (including diminution in value as a result of condemnation proceedings) exceeds the amount of any available insurance coverage by more than US\$5,500,000, the US REIT has five days from the receipt of notice from CalWest Sub of that damage to exercise its option to terminate the Contribution Agreement.

Payment of closing costs

The US REIT and CalWest Sub have agreed to share all out-of-pocket costs related to the transaction (other than fees and expenses of legal counsel and third party consultants engaged by or on behalf of each party). The parties will generally bear these costs pro rata based upon their relative proposed ownership percentages of the US Joint Venture (80% by the US REIT and 20% by CalWest Sub).

(5) Operating Agreement of the US Joint Venture

General

The US Joint Venture will be a limited liability company organized at closing under the laws of the State of Delaware. The Operating Agreement governs the relationship between the US Joint Venture and its members.

Capital contributions and equity ownership

At the closing, CalWest Sub and the US REIT will each make capital contributions to the US Joint Venture (as described in the Contribution Agreement). All the cash that the US REIT contributes to the US Joint Venture will be distributed to CalWest Sub at the closing.

In exchange for the capital contributions, the US Joint Venture will issue 80% of the equity interests in the company to the US REIT and the remaining 20% of the equity interests to CalWest Sub. As described below, preferred interests in the Existing Operating Partnership will remain outstanding.

Additional capital contributions

The capital requirements associated with the US Assets will be paid through capital contributions rather than from revenues generated by the US Assets. Consequently, the US JV Members will be required to make quarterly capital contributions to reimburse the US Joint Venture for material cash payments made during the previous fiscal quarter, as contained in the annual Investment Plan approved by both US JV Members.

Certain preferred investors (the **Preferred Investors**) own preferred interests in the Existing Operating Partnership (**Preferred Interests**) which may be redeemed at various targeted redemption dates between the closing date and 29 June 2005 at the mutual agreement of CalWest Sub and the US REIT. The redemption amount in connection with these preferred interests is approximately US\$245 million, which can be funded by any combination of the following:

- additional capital contributions on a pro rata basis based upon the relative ownership percentages;
- additional bank financing; or
- any alternative manner mutually agreeable to the US JV Members.

Any additional capital contributions will be payable to the US Joint Venture on the last day of the fiscal quarter unless otherwise agreed.

If a US JV Member fails to timely make a capital contribution (the **Non-Contributing Member**) and the other US JV Member has timely made its capital contribution (the **Contributing Member**), the Contributing Member may either:

- make such delinquent capital contribution requested of the Non-Contributing Member (the Substituted Capital Contribution) and elect to treat the Substituted Capital Contribution as a loan, or
- make the Substituted Capital Contribution and elect to treat the Substituted Capital Contribution as an additional capital contribution, in which case the percentage interests of the US JV Members would be adjusted.

In addition, if the Contributing Member does not elect to treat the Substituted Capital Contribution as an additional capital contribution, it may initiate the procedure whereby the parties may either purchase or sell their equity interests in the US Joint Venture to each other. If both parties seek to purchase the equity interests of the other, the assets of the US Joint Venture will be divided.

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Management

Each US JV Member will designate a representative (a **Member Representative**) to act on its behalf. The US JV Members, acting through their respective Member Representatives, will have absolute authority to manage the US Joint Venture and its property, assets and business. The initial Member Representatives shall be:

Warren Otto	CalWest Sub
Victor Hoog Antink	US REIT

The US Joint Venture will retain RREEF or one of its affiliates as the US Joint Venture's initial manager (the **US Manager**) pursuant to an investment management agreement (the **Investment Management Agreement**). RREEF will be responsible for the day-to-day management of the US Joint Venture, in accordance with the annual investment plan approved by the Member Representatives (**Investment Plan**). Most major decisions (other than the sale of the US Assets, as described below) must be approved by both of the US JV Members.

Sale and Acquisition of US Assets

Notwithstanding the US Joint Venture's general management arrangements, the US REIT has sole discretion as to whether to sell or grant purchase rights in connection with any or all of the US Assets, provided the transaction is with a non-affiliated third party and on commercially reasonable terms. CalWest Sub will have the right of first offer on such US Asset that is proposed to be sold. Any acquisitions by the US Joint Venture may only be made with the unanimous agreement of the US JV Members.

Resolution of decision dead locks

At any time after the second anniversary of the closing date of the US acquisition, if the Member Representatives are unable to reach agreement on a particular matter after attempting to resolve any such impasse in accordance with the terms of the Operating Agreement, either US JV Member may seek a division of assets of the US Joint Venture.

Fair market value of the US Joint Venture's assets will be determined as described in the section titled "Determination of fair market value of the US Assets" below. Unless the US REIT and CalWest Sub both elect to pay and receive a cash payment for their respective interests in the US Joint Venture, the US JV Members will undertake a distribution in kind of the assets of the US Joint Venture. The procedure for this distribution is set out in the Operating Agreement.

Allocation of profits and losses

Profits and losses will generally be allocated in accordance with the relative interests in the US Joint Venture of the US JV Members.

Distributions and special interest structure

The net cashflow generated from the operation of the portfolio (less debt service and portfolio general and administrative expenses) will be determined and distributed on a quarterly basis no later than ten business days after the end of each quarter as follows:

- first, to the US REIT, an amount (the PI Preferred Return) equal to the excess of:
 - the amount that the US REIT would have received if all of the Preferred Interests had been redeemed, less
 - the amount that the US REIT would have paid as interest (at the rate of 3.57% per annum) on any capital contribution the US REIT would have been required to make to fund the redemption of the Preferred Interests, and
- second, to the US JV Members in accordance with their ownership percentages (80% to US REIT and 20% to CalWest Sub).

If CalWest Sub has demanded that the US Joint Venture redeem a particular series of Preferred Interest (and the targeted redemption date for that series has expired or will expire within 30 days of the demand), the PI Preferred Return will be reduced by the amount of such series on the later to occur of:

- the 30th day following the date of the demand; and
- the 30th day following the applicable redemption date.

To the extent that the PI Preferred Return has not already been reduced as described above with respect to a particular series of Preferred Interest, it will be reduced on the date the series is actually redeemed. In all cases the PI Preferred Return will be reduced to zero by no later than 29 June 2005.

Proceeds from a sale or refinancing of a US Asset will be distributed to the US JV Members as soon as practical, and as permitted by any applicable loan agreements after such sale or refinancing, as follows:

- (A) first, to the US REIT in an amount equal to any unpaid PI Preferred Return;
- (B) second, to the US JV Members pro rata until each has received a 10% per annum preferred return (including any amounts received from operating cashflow (other than the PI Preferred Return)) on its unreturned capital contributions;

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(C) third, to the US JV Members in proportion to their unreturned capital contributions until each US JV Member has received the return of its entire aggregate capital contributions in addition to the 10% preferred return described above; and

(D) the remainder, pro rata in the following amounts:

CalWest Sub	Its then-current ownership percentage interest in the US Joint Venture, plus a special preferred distribution right of 20% (the Special Interest)
US REIT	Its then-current ownership percentage interest in the US Joint Venture, percentage less the Special Interest

If the US REIT purchases the Special Interest from CalWest Sub (as described below), any distribution described in clause (D) above will be made pro rata in accordance with the US JV Members then-current ownership percentage interests.

Termination of special interest structure

CalWest Sub may elect to put the Special Interest to the US REIT at any time between 1 July 2009 and 30 June 2014. The US REIT may elect to call the Special Interest at any time between 1 July 2005 and 30 June 2014.

If CalWest Sub elects to put the Special Interest, the US REIT will pay to CalWest Sub an amount equal to:

- the amount CalWest Sub would receive upon a sale of all of the assets of the US Joint Venture at the determined fair market value of those assets, net of all existing liabilities (excluding prepayment penalties), with a deduction of 0.75% of such fair market value for deemed transaction costs and assuming CalWest Sub is entitled to the Special Interest, less
- the amount CalWest Sub would receive under the same circumstances if distributions were based solely on each US JV Member's then ownership percentages (e.g., 80% to the US REIT and 20% to CalWest Sub).

The fair market value of the properties shall be determined by independent appraisers. Regardless of the fair market value determined using the methods described above, the parties have agreed that the purchase price to be paid for the Special Interest must always fall within a certain maximum and minimum price range, as agreed in a schedule to the Operating Agreement. These maximum and minimum prices will vary depending on the quarter in which the relevant put or call notice is given and the party exercising the put or call. The minimum price range from US\$20,000,000 in July 2005 to US\$50,000,000 in June 2014.

CalWest Sub's and CalWest's right to purchase the US REIT's interests in the US Joint Venture

If either:

- none of DeAM, DBRE or DRFM (each, a **Permitted Trustee**) continues to be the responsible entity of the owners of more than 50% of the US REIT; or
- a person, other than a Permitted Trustee, has more than 50% of the voting power in DIT or DDF (where voting power has the meaning given to such terms by the Corporations Act),

then provided in either event that DIT or DDF, as applicable, continues to own 50% or more of the issued and outstanding capital stock of the US REIT, CalWest will have a first right of offer to purchase, and CalWest Sub, or its designated affiliates, shall have a second right of offer to purchase, the US REIT's interest in the US Joint Venture in accordance with an agreed valuation formula based upon fair market value, as well as assuming that transaction costs of 0.75% of such fair market value were incurred, that the US Joint Venture was liquidated and existing indebtedness repaid and certain cashflow payments due to CalWest Sub were paid.

CalWest Sub's right to sell interests in the US Joint Venture to the US REIT

On 1 July 2014, and annually thereafter (each, an Exit Date), CalWest Sub has the right, by written notice to the US REIT:

- to have its membership interest in the US Joint Venture redeemed by an equivalent distribution in kind of the US Joint Venture's assets, or
- to sell CalWest Sub's membership interest in the US Joint Venture to the US REIT at a price (in cash or in kind) based upon the fair market value of the US Joint Venture's assets.

Determination of fair market value of the US Assets

To establish the fair market value of the US Assets as may be required from time to time under the Operating Agreement, each of the US JV Members will select an independent appraiser to prepare an appraisal of each of the properties. These appraisals will look to determine the price, net of all existing encumbrances that a willing buyer and willing seller would agree on as a fair sales price on a property by property basis, for its highest and best use. If the two appraisals for a particular property are within 5% of each other, then the value of such property will be the average of the two appraisals. If the range between the two appraisals is greater than a 5% differential for a particular property, then a third appraiser will be appointed unless the US JV Members can mutually agree on a fair

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value for that property. If a third appraiser is appointed, the value of the property will be the average of the two closest of the three appraisals.

Restrictions on transfer of membership interests in the US Joint Venture

Except for certain permitted transfers, neither the US REIT nor CalWest Sub may sell or otherwise encumber any part of their respective membership interests in the US Joint Venture without the written consent of the Member Representatives. Transfers of capital stock of the US REIT are not subject to this restriction. The restructuring of CalPERS or DIT or DDF will not require the consent of the US Joint Venture or either US JV Member.

REIT Restrictions

The US REIT is a real estate investment trust (**REIT**) and is subject to certain requirements and restrictions under the United States Internal Revenue Code of 1986, as amended. So long as the US REIT owns, directly or indirectly, any interest in the US Joint Venture, the US JV Members must act in a commercially reasonable manner to prevent the US Joint Venture from engaging in certain types of transactions that will impair the US REIT's status as a REIT.

Dissolution

The US Joint Venture will be dissolved upon the earliest to occur of the following:

- the mutual agreement of the US JV Members;
- if the Member Representatives so elect, upon any act of insolvency of a US JV Member or upon any breach by a US JV Member of its covenant not to withdraw from the US Joint Venture;
- the sale or other disposition of all the US Assets by the relevant owners and all or substantially all of the other US Joint Venture assets by the US Joint Venture; or
- the entry of a decree of judicial dissolution.

Distributions in connection with the dissolution of the US Joint Venture will be as follows:

- first, in payment of debts and obligations of the US Joint Venture owed to third parties,
- second, in payment of debts and obligations of the US Joint Venture to a US JV Member, including, without limitation, any loan by a US JV Member to the US Joint Venture, and
- thereafter, to the US JV Members in the same manner as proceeds from a sale or refinancing are to be distributed.

Limitation of liability and indemnification by the US Joint Venture

No US JV Member will be personally obligated for any debt or liability of the US Joint Venture by reason of being a US JV Member of the US Joint Venture. Each US JV Member's liability under the Operating Agreement is expressly limited to such US JV Member's interest in the US Joint Venture.

The Operating Agreement limits the liability of the US Manager, the US JV Members, the Member Representatives and each of their respective affiliates for any acts or omissions relating to the US Joint Venture. The limitation of liability will not apply in the case of fraud, wilful misconduct or wilful breach of the Operating Agreement, gross negligence or, in the case of the US Manager, a breach of the Investment Management Agreement. The US Joint Venture will also provide standard indemnities to all those parties, subject to certain customary exceptions for gross negligence and other misconduct.

(6) Income Support Agreement

At the closing, CalWest Sub, the US REIT and the US Joint Venture will enter into the Income Support Agreement. Under the terms of the Income Support Agreement, CalWest Sub is obligated to pay the US Joint Venture up to US\$19,500,000 to compensate the US Joint Venture for the cost of maintaining and leasing certain vacant space at certain of the US Assets. This income support obligation begins on the closing date of the US acquisition and expires on 1 July 2014. Amounts allocated to a property may be reallocated to another property or may be transferred to any purchaser of the applicable property. At closing, CalWest Sub will establish an escrow account in the name of the US Joint Venture into which US\$19,500,000 shall be funded.

(7) Guaranty and Support Agreement

General

At the closing, CalWest and the US Joint Venture will enter into the Guaranty and Support Agreement. Under the terms of such agreement, CalWest will provide the US Joint Venture with certain capital expenditure and operating income guarantees and will guarantee the indemnification obligations of CalWest Sub under the Contribution Agreement for breaches of representations and warranties by CalWest Sub. CalWest will also be obligated to make the benefits of certain interest rate swaps available to the US Joint Venture.

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Capital expenditure guaranty

CalWest will reimburse the US Joint Venture for up to US\$19,857,059 of capital expenditures (as defined under generally accepted accounting principles) incurred by the US Joint Venture and/or any of the owners of the US Assets with respect to the US Assets on or after the closing date. CalWest's maximum obligation under the agreement will be reduced by the amount of any capital expenditures incurred by CalWest or any of the owners of the US Assets during the period beginning on 1 July 2004 and ending on the closing date.

CalWest will provide a completion guarantee to the US Joint Venture with respect to an agreement that CalWest entered into with one of the existing tenants of the US Assets to construct and buildout additional space at a cost of approximately US\$3,500,000. At its cost, CalWest will:

- complete the construction and buildout of this space;
- comply with existing obligations to the tenant under the agreement for lease;
- and deliver the completed building, subject to the lease with the tenant, to the US Joint Venture by November 2004.

Operating income guaranty

During the period beginning at the closing and ending 30 June 2006 (the **Shortfall Period**), CalWest will guarantee up to US\$5,000,000 of any cumulative shortfall (the **Shortfall Payments**) between the actual gross operating income produced by the US Assets and the agreed projected gross operating income during that period (**Shortfall Performance**). Under the agreement, "gross operating income" excludes income from the Income Support Agreement, interest income or proceeds of sales or financings of properties. Shortfall Payments will be calculated and paid semi-annually.

If the portfolio produces actual cumulative gross operating income during the Shortfall Period which exceeds the projected cumulative gross income (**Excess Performance**), CalWest Sub will be entitled to receive a special distribution of 50% of the first US\$5,000,000 of cumulative Excess Performance (up to a maximum amount of US\$2,500,000). The remaining 50% of that first US\$5,000,000 will be distributed in accordance with the provisions of the Operating Agreement (generally, 80% to the US REIT and 20% to CalWest Sub). The special distribution will be payable from any distributions made by the US Joint Venture for the accrual period ending 30 June 2006, or if there are insufficient amounts to be distributed, from amounts first available for distribution thereafter.

If CalWest funds any Shortfall Payments, and there is subsequent Excess Performance during the Shortfall Period such that CalWest's has cumulatively made Shortfall Payments in excess of its actual obligation, then CalWest will be entitled to be repaid the overpaid amount from the US Joint Venture. This repayment will be paid first priority out of any distributions made by the US Joint Venture for the accrual period ending 30 June 2006, or if there are insufficient amounts to be distributed, from amounts first available for distribution thereafter.

Availability of interest rate swaps

CalWest has agreed to make available to the US Joint Venture the benefit of \$150 million of existing interest rate swaps which it holds. These swaps will be made available at no additional cost to the US Joint Venture (other than the US Joint Venture's proportionate share of CalWest's costs, including any costs of transfer).

CalWest must continue to comply with the covenants contained in the swap documents, including the financial covenants. CalWest will be liable to the US Joint Venture for damages arising from termination caused by CalWest. As the US Joint Venture will not be an "affiliate" of CalWest for purposes of the swap documents, the US Joint Venture will not have the ability to directly create defaults under the swap documents. If the US Joint Venture buys CalWest out prior to termination of the swap documents, the agreement between CalWest and the US Joint Venture may remain in place at the US Joint Venture's option.

Guaranty of CalWest Sub indemnification obligations under the Contribution Agreement

CalWest will guarantee any obligations of CalWest Sub under the Contribution Agreement arising out of a breach by CalWest Sub of its representations and warranties or its failure to fulfil certain obligations, subject to the claim period and monetary limitations contained in the Contribution Agreement.

(8) Option Agreement

At the closing of the US Acquisition, CalWest and the US Joint Venture will enter into the Option Agreement. Under the terms of the Option Agreement, at any time on or before 15 July 2006, the US Joint Venture will have the option to acquire in one or more transactions, any or all of six (6) specified undeveloped land parcels. If the US Joint Venture has not exercised its purchase option for any of the undeveloped land parcels prior to 15 July 2006, CalWest will have the right to sell the remaining parcels to the US Joint Venture on that date.

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CalWest must exercise its put right within 90 days after 15 July 2006. The purchase price for a parcel under either the purchase or sale option will be the specified value for that parcel multiplied by a percentage, starting at 100% on July 2004 and rising monthly to 110.2499% in July 2006, for the month in which the option is exercised. The maximum price for all of the parcels combined is US\$22,049,987.

(9) Investment Management Agreement

General

The Investment Management Agreement between the US Joint Venture and the US Manager sets out the terms under which the US Manager agrees to provide the US Joint Venture with investment, portfolio and property management services with respect to real estate.

US Manager's duties

Subject to written investment guidelines and the terms of the US Joint Venture's Operating Agreement, the US Manager will provide investment, portfolio and property management services with respect to the US Assets, as well as later-acquired real property interests. The US Manager will also have the duty to monitor and manage the assets of the US Joint Venture so that the US REIT maintains its status as a REIT under U.S. tax laws.

An affiliate of the US Manager, RREEF Management Company, may be hired to act as property manager with respect to one or more of the properties in the account, pursuant to a property management agreement.

Fees

In exchange for the performance of services under the Investment Management Agreement, the US Manager is entitled to the fees described below:

- **Annual Management Fee:** flat annual fee of \$700,000 (increased annually based on increases in the inflation factor), payable quarterly in advance;
- **Acquisition Fee:** 0.50% of gross purchase price; payable upon closing;
- **Disposition Fee:** 0.50% of gross sales price, payable upon closing; and
- **Financing Fee:** 0.25% of loan procured, payable upon closing.

At inception of the Investment Management Agreement, a fee of \$562,500 will be payable in respect to the \$225 million loan obtained by the US Joint Venture with respect to certain of the initial properties. The US Manager is also entitled to be reimbursed for certain costs and expenses incurred in connection with the performance of its duties under the agreement.

In addition, RREEF Management Company may be entitled to property management, construction and/or development management or tenant improvement fees or leasing commissions under the terms of any applicable property management agreements.

Indemnification

The US Joint Venture will provide standard indemnities to the US Manager and its respective members, employees, and their respective affiliates in connection with their performance of services pursuant to the Investment Management Agreement (subject to customary exceptions for negligence and other misconduct by the indemnified party).

The US Manager will indemnify the US Joint Venture and its members, officers, employees and affiliates from any liabilities caused by the US Manager's wilful misconduct, negligence or bad faith, or breach of applicable law or breach of the Investment Management Agreement.

Default and termination

Either party may terminate the Investment Management Agreement upon at least 30 days' advance notice. Upon termination, unpaid management fees will be prorated and the obligation to pay such pro rated fees, as well as the indemnification obligation will survive the termination of the Investment Management Agreement.

(10) US REIT governance documents

General

The US REIT is a Maryland corporation organized in July 2004 (originally organized under the name, Gloss Inc.) to qualify and operate as a REIT, as defined in the United States Internal Revenue Code of 1986, as amended (the Code). The Articles of Amendment and Restatement (the Articles) and the Bylaws (the Bylaws) of the US REIT are governed by the laws of the State of Maryland.

The US REIT's Articles provide for the issuance of two classes of stock, common stock and preferred stock. Holders of those shares have all the rights of shareholders of Maryland corporations including certain voting rights and the right to receive distributions from time to time.

Voting

The holders of shares of common stock of the US REIT will be entitled to vote for the election of directors and on all other matters on which the holders of common stock are required or entitled to vote. Each holder of shares of common stock will be entitled to one vote for each share of common stock held. Except to the extent required by applicable law, the holders of the preferred stock will not be entitled to vote for the election of directors or on any other matters.

19 Material Contracts and additional information

Board of directors

The business and affairs of the US REIT will be managed under the direction of the board of directors. Except as otherwise expressly provided by law, the Articles or the Bylaws of the US REIT, all of the powers of the US REIT will be vested in the board.

The initial board of directors of the US REIT will be comprised of three members: Victor Patrick Hoog Antink, Dan Weaver and Shaun Albert Mays.

The initial officers of the US REIT will be as follows: Victor Patrick Hoog Antink, President; Michael Christensen, Treasurer and John Easy, Secretary.

Dividends and distributions

Preferred stock

Dividends on each share of the existing issued preferred stock will accrue on a daily basis at the rate of approximately 12 1/2% per annum of the sum of the liquidation value (US\$1,000 per share) of those shares, plus all accumulated and unpaid dividends. Dividends will be cumulative and will accrue from and including the date of issuance to the earlier of:

- the date of any liquidation, dissolution, or winding up of the US REIT; and
- the date on which the preferred stock is redeemed.

Dividends on the existing preferred stock will be payable semi-annually on 30 June 30 and 31 December of each year. The first dividend on the preferred stock will be paid on 31 December 2004, and may be for less than a full half-year.

The shares of existing preferred stock are entitled to a liquidation preference of \$1,000 per share, subject to adjustment upon stock splits, stock dividends and transactions of like kind (Liquidation Value). With respect to distributions, including the distribution of the US REIT's assets upon liquidation, the shares of the existing preferred stock will be senior to all other current and future classes and series of shares of stock of the US REIT, to the extent of:

- the aggregate Liquidation Value; plus
- all accrued but unpaid dividends; plus
- any redemption premium on the preferred stock that has not been added previously to the Liquidation Value.

Holders of the preferred stock will not participate in any appreciation in the value of the US REIT.

Common stock

In order to maintain its REIT status, the US REIT must distribute to its Shareholders at least 90% of its taxable income. The directors of the US REIT may authorize a distribution only if the US REIT will be able to pay its debts in the ordinary course of business after making the distribution. Any distribution will be paid pro rata to the holders of common stock after payment of any and all accrued but unpaid dividends on the preferred stock.

The US REIT will pay dividends and distributions on the common stock when, as and if authorized and declared by the board of directors out of funds legally available for that purpose. The US REIT will be required to pay dividends and distributions on the common stock in the minimum amount necessary to permit the US REIT to maintain its status as a REIT.

Restrictions on ownership and transfer

For the US REIT to qualify as a REIT under the Code, no more than 50% in value of the outstanding shares of the US REIT may be owned, directly or indirectly, by or for five or fewer individuals or certain entities during the last half of a taxable year (other than the first year for which an election to be treated as a REIT have been made) or during a proportionate part of a shorter taxable year (the Closely Held Prohibition).

The US REIT's Articles contain certain restrictions and notification requirements in relation to ownership limits of shares in the capital of the US REIT (the Ownership Limits). These Ownership Limits will be waived for DDT and DIT by the US REIT's board of directors provided that DDT and DIT agree to comply with certain requirements established by the board of directors. However, even though DDF and DIT are generally excluded from these Ownership Limits, an acquisition by a holder of interests in DDF and DIT that would otherwise cause the US REIT to violate the Closely Held Prohibition would trigger certain measures designed to prevent the Closely Held Prohibition test from being violated.

Redemption

The outstanding shares of preferred stock in the US REIT are subject to redemption at any time by notice from the US REIT (Redemption Date) for a price, payable in cash on the Redemption Date, equal to:

- 100% of such share's Liquidation Value, plus;
- all accrued and unpaid dividends to the Redemption Date, plus;
- a non-material redemption premium under certain circumstances.

19 Material Contracts and additional information

Indemnification and limitation of liability

The US REIT has the power, to the maximum extent permitted by Maryland law and to the extent provided in the US REIT's Bylaws, to indemnify its directors, officers, employees and other agents in connection with acts or omissions conducted in relation to that person's service to the US REIT. This indemnification may also cover liabilities incurred by any director or officer of the US REIT who serves as an officer or agent of any other entity at the request of the US REIT.

US Manager and any other investment manager and their directors, officers, employees, members, stockholders and partners may be indemnified with respect to any claims or liabilities to which any of them may become subject with respect to the formation and operation of the US REIT or any of its subsidiaries, and the acquisition of and contribution to the US REIT or any of its subsidiaries of any assets or properties.

To the fullest extent permitted under Maryland law as in effect from time to time, the liability of each of the US REIT's directors or officers to the US REIT or its stockholders for money damages shall be limited.

Amendment to the US REIT's Articles and Bylaws

The US REIT's Articles may be amended by holders of a majority of the outstanding shares of capital stock of the US REIT entitled to vote thereon. The US REIT's Bylaws may be amended by holders of a majority of the outstanding shares of common stock of the US REIT.

(e) Right of first refusal granted by AXA over DDF units

DAL is party to a "right of first refusal agreement" with AXA which was entered into on 31 May 2001. Under the agreement, if AXA:

- holds more than 7% of the units on issue in DDF; and
- proposes in any one transaction to dispose of more than 3% of the units on issue in DDF,

then AXA must offer to DAL the first right to purchase the Relevant Number of units. The Relevant Number is the lesser of the number of units proposed to be sold and the number of units which, if acquired by DAL, would result in Deutsche Group having an interest in 19.9% of the issued units in DDF.

AXA must notify DAL of the number of units it proposes to sell and the price at which, and how, it proposes to sell those units. If DAL does not accept the offer within two business days from notice of the offer, then AXA may sell the units offered for sale to DAL to any party at a price per

unit equal to or above that offered to DAL and, on such sale to another party, the offer to DAL lapses.

AXA currently has a holding of approximately 24.8% of the DDF units. Assuming it retains that holding and it has no other interests in the DIT and DOT trusts, it would following implementation of the Transaction hold approximately 9.4% of the DDF units and remain subject to the Right of First Refusal Agreement. However, if AXA proposed a disposal of DDF units to which the right of first refusal applied, and Deutsche Group already had an interest in 19.9% of the DDF Units (see Section 8), DAL would not be able to accept the offer in relation to any Units.

19.3 ASX matters

DRFM (as Responsible Entity for DRO), DBRE (as responsible entity for DDF) and DeAM (as responsible entity for DIT and DOT) have applied to ASX for the following waivers or confirmations:

- (a) in relation to DRO, a waiver from Listing Rule 1.1, condition 7 to permit Unitholders in DRO to each hold a parcel of Units having a value less than A\$2,000 on condition that Units in DRO are stapled to Units in DIT, DOT and DDF so that the parcel of Stapled Securities has a value of at least A\$2,000;
- (b) in relation to DRO, a waiver from Listing Rule 1.1, condition 8 in respect of satisfaction of the assets test in Listing Rule 1.3 on condition that Units in DRO are stapled to Units in DIT, DOT and DDF and the Trusts together meet that test;
- (c) in relation to DRO, a waiver from Listing Rule 2.1, condition 2 to permit Units in DRO to have an issue price of less than 20 cents on condition that Units in DRO are stapled to Units in DIT, DOT and DDF and the parcel of Stapled Securities has an issue price of at least 20 cents;
- (d) a waiver from Listing Rule 8.10 to permit each Trust to refuse to register a transfer of a unit in the Trust if not accompanied by a transfer of a unit in each other Trust;
- (e) a waiver from Listing Rule 6.24 in respect of clause 1 of appendix 6A so that the Trusts need not announce the rate and amount of a distribution on the date that the distribution is announced on condition that an estimated distribution rate is advised to ASX on that date and the actual distribution rate is advised to ASX as soon as it becomes known;

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- (f) a waiver from Listing Rule 7.1 and 10.11 to enable the proposed issue of units in each of DIT, DOT and DDF in accordance with the Stapling without Unitholder approval other than the approval of the Unitholders of DIT, DOT and DDF to the Stapling Proposal;
- (g) a waiver from Listing Rules 7.1, 10.1 and 10.11 to enable the proposed issue of units in each of DIT, DOT, DDF and DRO to FAP upon application of the cash consideration paid by DRO for the acquisition of a 50% interest in DRH without Unitholder approval other than the approval of the Unitholders of DIT, DOT and DDF to the Stapling Proposal;
- (h) a waiver from Listing Rule 10.1 to the extent necessary to enable transfers of assets between the Trusts without Unitholder approval on condition that Units in each Trust are stapled to Units in each other Trust and each Trust does not have on issue any equity securities that are not stapled to equity securities of the other Trusts;
- (i) confirmations that Listing Rule 9.1 does not apply to the acquisition by DRO of a 50% interest in DRH;
- (j) confirmation that Listing Rule 10.1 does not apply to the issue of securities to substantial holders in each of DIT, DOT and DDF under the Stapling Proposal;
- (k) in relation to DIT, confirmation that ASX will not require approval under Listing Rule 11.1.2 for, and that Listing Rule 11.1.3 does not apply to, the acquisition of the US Assets;
- (l) a waiver from Listing Rules 7.1, 10.1 and 10.11 to enable DRO to acquire shares in, and loan notes issued by, DRH from FAP upon the exercise of the put and call arrangements set out in the Shareholders Deed and for the Trusts to issue Stapled Securities to FAP as consideration for that acquisition without Unitholder approval other than the approval of the Unitholders to the Stapling;
- (m) a waiver from Listing Rules 7.3.2 and 10.13.3 to permit the Notice of Meeting to state that Stapled Securities issued to Deutsche Bank (as underwriter of the DRP) will be issued by 30 September 2006; and
- (n) a waiver from Listing Rules 7.3.3 and 10.13.5 to permit the Notice of Meeting to state that the issue price of Stapled Securities issued to Deutsche Bank (as underwriter of the DRP) will be the same as that determined for the DRP.

19.4 ASIC matters

The following modifications and exemptions have been applied for in relation to the operation of the Corporations Act as it applies to the Trusts:

- (a) an exemption from compliance with certain requirements of Part 7.9 of the Corporations Act which are not appropriate for the Explanatory Memorandum and related documents;
- (b) a modification of Part 7.7 of the Corporations Act to permit the Independent Expert's report and financial services guide to be included in the Explanatory Memorandum;
- (c) an exemption from compliance with Part 5C.7 of the Corporations Act to enable the responsible entity of each Trust to provide financial benefits out of that Trust's property to another Trust (and its controlled entities) without the need to gain Unitholder approval while Stapling applies;
- (d) a modification of Section 601FC(1)(c) and 601FD(1)(c) of the Corporations Act to enable the responsible entity of each Trust to consider the interests of the holders of Stapled Securities as a whole when acting as responsible entity of the Trust;
- (e) a modification of Section 601GA(1)(a) of the Corporations Act (as notionally amended by ASIC Class Order 98/52) to enable the issue price of Stapled Securities to be allocated between the issue price of the Units comprising those Stapled Securities as the responsible entity of each Trust sees fit;
- (f) a modification of Part 5C.7 of the Corporations Act in relation to the giving of financial benefits by DRO and its controlled entities to related parties in relation to the implementation of the Transaction;
- (g) an exemption from Chapter 5C and Part 7.9 of the Corporations Act (including, specifically, Division 5A of Part 7.9) in regard to the operation of the Cash Sale and Exchange Facilities;
- (h) an exemption from Sections 606 and 671B of the Corporations Act in relation to voting power obtained by the Sale Bank and its associates in relation to the operation of the Cash Sale and Exchange Facilities;

19 Material Contracts and additional information

- (i) an exemption from Sections 606 and 671B of the Corporations Act to the Responsible Entity and various entities within the Deutsche Group in relation to acquisitions of relevant interests in up to 3% of Units in the Trusts as a result of acting pursuant to an investment mandate and up to 3% under facilitation activities until August 2005; and
- (j) an exemption from Section 606 of the Corporations Act to FAP, Deutsche Bank and their associates in relation to acquisitions of relevant interests in Units in DRO as a result of acquiring Stapled Securities under the Share Sale Agreement and as underwriter of the February 2005 issue under the DRP.

19.5 Consents and disclaimers

The following persons have given and have not, before the date of this Explanatory Memorandum, withdrawn their consent to be named in this Explanatory Memorandum in the form and context in which they are named:

- PricewaterhouseCoopers – as Auditors of the Trusts;
- DB Real Estate Australia Limited;
- Deutsche Asset Management (Australia) Limited;
- Grant Samuel & Associates Pty Limited – as the Independent Expert;
- Greenwoods & Freehills – as Australian taxation adviser in relation to the Transaction; and
- PricewaterhouseCoopers – as US taxation adviser in relation to the Transaction and auditors of the Trusts;
- PricewaterhouseCoopers Securities Limited – as the Investigating Accountant; and
- CB Richard Ellis, Inc – as the Independent Valuer.

The following persons have given and have not, before the date of issue of this Explanatory Memorandum, withdrawn their consent to the inclusion of the report noted next to their names and any references to that report in the form and context in which they are included in Section 12:

- Grant Samuel & Associates Pty Limited - the Independent Expert Report;
- Greenwoods & Freehills - the Tax Report;
- PricewaterhouseCoopers - the Tax Report;
- PricewaterhouseCoopers Securities Limited - the Investigating Accountant's Report; and

- CB Richard Ellis, Inc - the Independent Valuer's Report.

Each person referred to in this Section 19.5:

- does not make, or purport to make, any statement in this Explanatory Memorandum other than those statements referred to above next to that person's name as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum other than as described in this section with the person's consent.

19.6 How do I access information about my investment?

DRFM will provide retail clients with a statement on allotment of their Stapled Securities and a periodic statement for each reporting period.

DRFM, DBRE or DeAM will provide a copy of the following documents free of charge to any person who requests a copy on or before the date of the Unitholders' Meetings:

- the financial statements of DDF, DIT or DOT for the year ended 30 June 2004 being the most recent annual financial report lodged with ASIC before the lodgement of this Explanatory Memorandum;
- any other document or financial statement lodged by DRFM in respect of DRO, DBRE in respect of DDF, or DeAM in respect of DIT and DOT which ASIC or ASX under the continuous disclosure reporting requirements in the period after the lodgement of the annual financial report and before lodgement of this Explanatory Memorandum with ASIC; and
- the constitution of DRO, DDF, DIT or DOT.

Copies of the above documents may be obtained by request from the responsible entity at:

DB Real Estate

Level 21, 83 Clarence Street, Sydney, NSW 2000

Information Line within Australia: 1300 733 838 or

from outside Australia: +61 2 9240 7453

19.7 Complaints procedure

An internal complaints handling procedure has been established by DeAM, DBRE and DRFM. Complaints can be made to the Secretary of either DeAM, DBRE and DRFM to the each companies registered address being Level 21, 83 Clarence Street, Sydney, NSW 2000.

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If you are investing through a master trust or wrap account then inquiries and complaints should be directed to the operator of that service. Each of DeAM, DBRE and DRFM are members of the Financial Industry Complaints Service ('FICS'). This is an independent dispute resolution service available to retail investors. If you are a retail investor and are not satisfied with our handling of your complaint, you can contact FICS on 1300 780 808 from within Australia and +61 3 9261 2000 from outside Australia.

19.8 Availability of documents

Following the issue of the Stapled Securities, each Trust will be a disclosing entity for the purposes of the Corporations Act and will be subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require that ASX be continuously notified 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, DRFM will have an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning DRT of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of the Stapled Securities. It will also be required to prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit or review report. Copies of documents lodged with ASIC in relation to DRT may be obtained from, or inspected at, an ASIC office.

Unitholders should also be aware that DDF, DIT and DOT are presently disclosing entities and subject to regular reporting and disclosure obligations, and so documents about them may also be obtained in this way.

19.9 Privacy

DRFM, DBRE and DeAM respect your privacy. Any personal details provided to DRFM, DBRE or DeAM when you invest or at any other time in relation to your investment, will be used to administer and report on your investment in DRT, and for purposes related to that. For example, your details may be used to establish your initial investment, process ongoing transactions, respond to any queries you may have, provide you with transaction, distribution, tax and annual statements, and to provide you with information on the performance of your investment, changes in product features, market and fund commentary and other topical information. Without your personal details,

it may not be possible to establish your initial investment and provide other products and services to you.

As well as using your personal details within DRT, DRFM, DBRE or DeAM may disclose it to other persons to enable it to provide your service. Such people include:

- third parties we appoint as advisers, agents or service providers such as auditors, custodians, administrators, mailing houses or legal advisers; and
- third parties you authorise to act on your behalf in relation to your investment such as your investment consultant, financial adviser, broker or solicitor.

DRFM, DBRE or DeAM may also disclose your personal information to other persons and entities as permitted under the Privacy Act 1988. DBRE, DRFM or DeAM may pass your personal details on to member companies of the Deutsche Bank Group, and from time to time we and they may send you information about DRT products and other Deutsche products, services and special offers which we think may be of interest. If you do not wish to receive this information, please let us know by contacting us at the address specified in the directory. Some of the personal details DRFM, DBRE or DeAM collects are required under superannuation, taxation or social security law. Other personal details requested are necessary to administer and keep you informed about your investment. DRFM, DBRE and DeAM aim to keep your personal details as up to date and accurate as possible. If any of your personal details are incorrect or have changed please write to DRFM, DBRE or DeAM (as relevant) at the address shown in the Directory. If you wish to find out what personal details DRFM, DBRE or DeAM holds in respect of you, please contact the Client Service Team on: 1800 034 402.

19.10 Labour standards, environmental, ethical and social considerations

Decisions about the selection, retention or realisation of investments in DRT are primarily based on economic factors and DRFM will not take into account labour standards, environmental, ethical and social considerations when making those decisions, except to the extent that they impact on the return or value of the investment.

20 Details of interests in Trusts

20.1 Relevant interests and voting power of the Deutsche Group in the Trusts

This section contains the voting power of Deutsche Bank and its associates in each of the Trusts as at 20 August 2004. This section provides further details to those in Section 8.2. Unitholders in a Trust should read this section and Section 8 in full.

(a) Deutsche Industrial Trust

As at 20 August 2004, Deutsche Bank and its associates held voting power of 18.2% in DIT. The holders of the relevant interests in the DIT Units, the corresponding votes and the capacity in which the relevant DIT Units are held (as at 20 August 2004) are set out in the following table. One of DeAM's major investment mandates is from STC and it has approximately 16.0% of the DIT Units. Due to the ongoing trading activities in DIT Units of the entities in the table, the number of DIT Units held and the voting power may change before the implementation of the Transaction.

However, under the Corporations Act, Deutsche Bank and its associates may not acquire a relevant interest in DIT Units conferring a voting power of more than 20.0% in DIT at any time before the DIT Unitholder Meeting.

Deutsche Group relevant interests and voting power in DIT			
Deutsche Group entity	DIT Units	Votes (%)	Capacity
DeAM ¹	60,519,360 ²	17.9	As investment manager
DIAL ¹	570,597	0.2	As investment manager
DSAL ¹	466,179	0.1	As principal
Total and voting power	61,556,136	18.2	
<ol style="list-style-type: none"> (and each of its holding companies in the Deutsche Group). This includes 123,826 DIT Units in which Deutsche Asset Management Limited has a relevant interest as responsible entity of the Deutsche Sentinel Property Securities Fund. 			

(b) Deutsche Office Trust

As at 20 August 2004, Deutsche Bank and its associates held voting power of 36.10% in DOT. The holders of the relevant interests in the DOT Units, the corresponding votes and the capacity in which the relevant DOT Units are held (as at 20 August 2004) are set out in the following table. One of DeAM's major investment mandates is from STC and it has approximately 31.5% of the DOT Units. Due to the ongoing trading activities in DOT Units of the entities in the table, the

number of DOT Units held and the voting power will change between the present and the implementation of the Transaction.

However, under the Corporations Act, Deutsche Bank and its associates may not acquire additional relevant interests in DOT Units conferring voting power of more than 36.6% being the maximum extent allowed to be acquired between now and the DOT Unitholder Meeting by the 3% "creep" provision contained in s611, item 9 of the Corporations Act.

Deutsche Group relevant interests and voting power in DOT			
Deutsche Group entity	DOT Units	Votes (%)	Capacity
DeAM ¹	406,287,022 ²	35.4	As investment manager
DIAL ¹	710,166	0.1	As investment manager
DSAL ¹	7,389,625	0.6	As principal
Deutsche Asset Management Limited ¹	19,869	0.0	As principal and/or investment manager
Total and voting power	414,406,682	36.1	
<ol style="list-style-type: none"> (and each of its holding companies in the Deutsche Group). This includes 158,448 DOT Units in which Deutsche Asset Management Limited has a relevant interest as responsible entity of the Deutsche Sentinel Property Securities Fund and 13,854,861 DOT Units in which Paladin Australia Limited has a relevant interest as responsible entity of the Paladin Property Securities Fund. It also includes 2,727,725 DOT Units in which DeAM has a relevant interest in its capacity as responsible entity of the Deutsche Australian Equities Alpha Fund and 92,569 DOT Units in which DeAM has a relevant interest in its capacity as responsible entity of the Deutsche Core Australian Equities Fund 			

(c) Deutsche Diversified Trust

As at 20 August 2004, Deutsche Bank and its associates held voting power of 19.9% in DDF. The holders of the relevant interests in the DDF Units, the corresponding votes and the capacity in which the relevant DDF Units are held (as at 20 August 2004) are set out in the following table. DAL and The National Mutual Life Association of Australasia Limited (AXA) have an agreement (see Section 19.2(e)), under which DAL has a right of first refusal to acquire from AXA DDF Units amounting to the difference between DDF Units conferring DAL a voting power in DDF of 19.9% and the DDF Units in which DAL or its associates have a relevant interest, otherwise than by virtue of this right of first refusal. Therefore, as Deutsche Bank or its associates acquire a relevant interest in DDF Units apart from their interest under the right of first refusal, their right of first refusal extends to fewer DDF Units and vice versa.

20 Details of interests in Trusts

Accordingly, Deutsche Bank and its associates will before the Stapling have a relevant interest in DDF Units conferring voting power of 19.9% in DDF, so long as the right of first refusal remains in force and they do not collectively acquire (apart from the right of first refusal or otherwise through acquisitions) a relevant interest in DDF Units conferring a voting power of more than 19.9%.

Under the Corporations Act, Deutsche Bank and its associates would be permitted to increase their voting power in DDF before the DDF Unitholder Meeting, up to a maximum of 22.9%. However, Deutsche Bank and its associates do not currently intend to do so.

Deutsche Group relevant interests and voting power in DDF			
Deutsche Group entity	DDF Units	Votes (%)	Capacity
DeAM ¹	48,002,988 ²	4.8	As investment manager
DIAL ¹	2,132,514	0.2	As investment manager
DSAL ¹	1,142,154	0.1	As principal
DAL ¹ AXA right of first refusal	148,225,971	14.8	As principal and/or investment manager
Total and voting power	199,503,627	19.9	
<ol style="list-style-type: none"> (and each of its holding companies in the Deutsche Group). This includes 461,779 DDF Units in which Deutsche Asset Management Limited has a relevant interest as responsible entity of the Deutsche Sentinel Property Securities Fund and 11,792,619 DDF Units in which Paladin Australia Limited has a relevant interest as responsible entity of the Paladin Property Securities Fund 			

(d) DB RREEF Operations Trust

As at 20 August 2004, all of the issued units in DRO were owned by DAL. Accordingly, Deutsche Bank and its associates presently have relevant interests in DRO Units conferring 100% voting power.

20.2 Effect of Stapling on relevant interests and voting power of the Deutsche Group in the Trusts

This section contains details of the effect of the Stapling on the voting power of Deutsche Bank and its associates in each of the Trusts. This section provides further details to those in Section 8. Unitholders in a Trust should read this section and Section 8 in full.

(a) Deutsche Industrial Trust

The Stapling will increase the voting power of Deutsche Bank and its associates in DIT from 18.2% (as at 20 August 2004) to 26.3 %, an increase of 8.1 percentage points.

The table at the bottom of this page details the effects of the Stapling on each associate of Deutsche Bank that would hold DIT Units following the Stapling, including the DIT Units that will be acquired, the number of DIT Units held after the Stapling and the corresponding votes (based on the existing holdings of DIT Units, DOT Units and DDF Units as at 20 August 2004 and the operation of the Stapling as set out in Section 3).

Accordingly, on the basis described above, Deutsche Bank and its associates will acquire 617,091,639 DIT Units, resulting in a total holding of 678,647,775 DIT Units. This will equate to Deutsche Bank and each of its

Deutsche Group relevant interests and voting power in DIT after Stapling				
Deutsche Group entity	DIT Units acquired by Stapling	Total DIT Units after Stapling	Votes after Stapling (%)	Capacity
DeAM ¹	457,495,542	518,014,902 ²	20.1	As investment manager
DIAL ¹	3,085,838	3,656,435	0.1	As investment manager
DSAL ¹	8,265,774	8,731,953	0.3	As principal
Deutsche Asset Management Limited ¹	18,513	18,513	0.0	As principal and/or investment manager
DAL ¹	148,225,971	148,225,971	5.7	As principal
Totals and voting power	617,091,639	678,647,775	26.3	
<ol style="list-style-type: none"> (and each of its holding companies in the Deutsche Group). This includes 796,525 DIT Units in which Deutsche Asset Management Limited has a relevant interest as responsible entity of the Deutsche Sentinel Property Securities Fund and 24,702,044 DIT Units in which Paladin Australia Limited has a relevant interest as responsible entity of the Paladin Property Securities Fund. It also includes 2,541,589 DIT Units in which DeAM has a relevant interest in its capacity as responsible entity of the Deutsche Australian Equities Alpha Fund and 86,252 DIT Units in which DeAM has a relevant interest in its capacity as responsible entity of the Deutsche Core Australian Equities Fund 				

20 Details of interests in Trusts

associates having voting power of 26.27% in DIT.

This increase in voting power will be solely the result of the Stapling.

Due to the ongoing trading activities in Units in DIT, DOT and DDF of the entities in the table below, the number of DIT Units acquired pursuant to the Stapling and the corresponding post-Stapling voting power of Deutsche Bank and its associates will differ from that in the table and the preceding paragraph.

However, at most, Deutsche Bank and its associates will, at the time of the Stapling, have a relevant interest in:

- DIT Units conferring a voting power in DIT of 20.0%;
- DOT Units conferring a voting power of no more than 36.6%; and
- DDF Units conferring a voting power of 19.9%.

Accordingly, regardless of any changes in the voting power of Deutsche Bank and its associates in DIT, DOT and DDF prior to the Stapling, the maximum extent of the voting power of Deutsche Bank and its associates in each of DIT, DOT and DDF immediately following the Stapling will be 26.8%.

The reasons for, and particular terms of, the Stapling are set out at Section 3.

(b) Deutsche Office Trust

The Stapling will decrease the voting power of Deutsche Bank and its associates in DOT from 36.1% (as at 20 August 2004) to 26.3%, a decrease of 9.8 percentage points.

The table at the bottom of this page details the effects of the Stapling on each associate of Deutsche Bank that would hold DOT Units following the Stapling, including the DOT

Units that will be acquired, the number of DOT Units held after the Stapling and the corresponding votes (based on the existing holdings of DIT Units, DOT Units and DDF Units as at 20 August 2004 and the operation of the Stapling as set out in Section 3).

Accordingly, on the basis described above, Deutsche Bank and its associates would acquire 264,241,093 DOT Units, resulting in a total holding of 678,647,775 DOT Units. This will equate to Deutsche Bank and each of its associates having voting power of 26.3% in DOT. This decrease in voting power will be solely the result of the Stapling.

Due to the ongoing trading activities in DIT Units, DOT Units and DDF Units of the entities in the table below, the number of DOT Units acquired pursuant to the Stapling and the corresponding post-Stapling voting power of Deutsche Bank and its associates will differ from that in the table and the preceding paragraph.

However, at most, Deutsche Bank and its associates will, at the time of the Stapling, have a relevant interest in:

- DIT Units conferring a voting power in DIT of 20%;
- DOT Units conferring a voting power of no more than 36.6%; and
- DDF Units conferring a voting power of 19.9%.

Accordingly, regardless of any changes in the voting power of Deutsche Bank and its associates in DIT, DOT and DDF prior to the Stapling, the maximum extent of the voting power of Deutsche Bank and its associates in each of DOT immediately following the Stapling will be 26.8%.

The reasons for, and particular terms of, the Stapling are set out at Section 3.

Deutsche Group relevant interests and voting power in DOT after Stapling				
Deutsche Group entity	DOT Units acquired by Stapling	Total DOT Units after Stapling	Votes after Stapling (%)	Capacity
DeAM ¹	111,727,880	518,014,902 ²	20.1	As investment manager
DIAL ¹	2,946,269	3,656,435	0.1	As investment manager
DSAL ¹	1,342,328	8,731,953	0.3	As principal
Deutsche Asset Management Limited ¹	(1,356)	18,513	0.0	As principal and/or investment manager
DAL ¹	148,225,971	148,225,971	5.7	As principal
Totals and voting power	264,241,093	678,647,775	26.3	
<ol style="list-style-type: none"> (and each of its holding companies in the Deutsche Group). This includes 796,525 DOT Units in which Deutsche Asset Management Limited has a relevant interest as responsible entity of the Deutsche Sentinel Property Securities Fund and 24,702,044 DOT Units in which Paladin Australia Limited has a relevant interest as responsible entity of the Paladin Property Securities Fund. It also includes 2,541,589 DOT Units in which DeAM has a relevant interest in its capacity as responsible entity of the Deutsche Australian Equities Alpha Fund and 86,252 DOT Units in which DeAM has a relevant interest in its capacity as responsible entity of the Deutsche Core Australian Equities Fund 				

20 Details of interests in Trusts

(c) Deutsche Diversified Trust

Deutsche Group relevant interests and voting power in DDF after Stapling				
Deutsche Group entity	DDF Units acquired by Stapling	Total DDF Units after Stapling	Votes after Stapling (%)	Capacity
DeAM ¹	470,011,914	518,014,902 ²	20.1	As investment manager
DIAL ¹	1,523,921	3,656,435	0.1	As investment manager
DSAL ¹	7,589,799	8,731,953	0.3	As principal
Deutsche Asset Management Limited ¹	18,513	18,513	0.0	As principal and/or investment manager
DAL ¹	0	148,225,971	5.7	As principal
Totals and voting power	479,144,147	678,647,775	26.3	
<p>1. (and each of its holding companies in the Deutsche Group).</p> <p>2. This includes 796,525 DDF Units in which Deutsche Asset Management Limited has a relevant interest as responsible entity of the Deutsche Sentinel Property Securities Fund and 24,702,044 DDF Units in which Paladin Australia Limited has a relevant interest as responsible entity of the Paladin Property Securities Fund. It also includes 2,541,589 DDF Units in which DeAM has a relevant interest in its capacity as responsible entity of the Deutsche Australian Equities Alpha Fund and 86,252 DDF Units in which DeAM has a relevant interest in its capacity as responsible entity of the Deutsche Core Australian Equities Fund</p>				

The Stapling will increase the voting power of Deutsche Bank and its associates in DDF from 19.9% (as at 20 August 2004) to 26.3%, an increase of 6.4 percentage points.

The table on this page details the effects of the Stapling on each associate of Deutsche Bank that will hold DDF Units following the Stapling, including the DDF Units that will be acquired, the number of DDF Units held after the Stapling and the corresponding votes (based on the existing holdings of DIT Units, DOT Units and DDF Units as at 20 August 2004 and the operation of the Stapling as set out in Section 3).

Accordingly, on the basis described above, Deutsche Bank and its associates would acquire 479,144,147 DDF Units, resulting in a total holding of 678,647,775 DDF Units.

This will equate to Deutsche Bank and each of its associates having voting power of 26.3% in DDF.

This increase in voting power will be solely the result of the Stapling.

Due to the ongoing trading activities in DIT Units, DOT Units and DDF Units of the entities in the table on this page, the number of DDF Units acquired pursuant to the Stapling and the corresponding post-Stapling voting power of Deutsche Bank and its associates will differ from that in the table and the preceding paragraph. Also, if Deutsche Group has an interest in Units of 19.9% or more, then the AXA right of first refusal would cease to confer a relevant interest on DAL in addition to that arising from the Deutsche Group relevant interests.

At most, Deutsche Bank and its associates will, at the time of the Stapling, have a relevant interest in:

- DIT Units conferring a voting power in DIT of 20.0%;
- DOT Units conferring a voting power of no more than 36.6%; and
- DDF Units conferring a voting power of 19.9%.

Accordingly, regardless of any changes in the voting power of Deutsche Bank and its associates in DIT, DOT and DDF prior to the Stapling, the maximum extent of the voting power of Deutsche Bank and its associates in each of DDF immediately following the Stapling will be 26.8%.

The reasons for, and particular terms of, the Stapling are set out at section 3.

(d) DB RREEF Operations Trust

As at 20 August 2004, all of the issued units in DRO were owned by DAL. Accordingly, Deutsche Bank and its associates presently have relevant interests in DRO Units conferring 100% voting power.

The issue of DRO Units to holders of Units in DIT, DOT and DDF pursuant to the Stapling and the redemption of DAL's DRO Units will result in Deutsche Bank and its associates having voting power of 26.3% (when they previously had 100% voting power as the sole holder of units in the trust).

For the same reasons described in relation to DIT, DOT and DDF the relevant interest of each associate of Deutsche Bank in DRO Units and the corresponding post-Stapling voting power of Deutsche Bank and its associates cannot be calculated precisely.

20 Details of interests in Trusts

20.3 Other information

ASIC's Policy Statement 74 requires that the Explanatory Memorandum set out certain prescribed information. This information is set out below and should be read in full.

(1) The identity, associations and qualifications of intended director(s) of the responsible entities of The Trusts

DeAM is presently the responsible entity of DIT and DOT. DBRE is presently the responsible entity of DDF.

As part of the Transaction, Unitholder approval will be sought to replace DeAM and DBRE with DRFM as Responsible Entity of each of DIT, DOT and DDF. DRFM is presently 100% ultimately beneficially owned by Deutsche Bank. As part of the Transaction, DRT (through DRO and DRM) will acquire a 50% interest in DRFM.

Deutsche Bank and its associates do not intend to make any changes to the board of DRFM consequent upon the acquisition.

(2) Intentions of Deutsche Bank

Deutsche Bank and its associates:

- intend that DIT, DOT and DDF continue to operate in their present form. Of course, the Stapling and other parts of the Transaction will result in significant changes in relation each of these Trusts, as set out in this Explanatory Memorandum. However, these are the only changes presently intended by the Deutsche Group;
- do not intend that any major changes be made to the operation of DIT, DOT or DDF. Of course, the Transactions will make substantial changes to these Trusts (as set out in this Explanatory Memorandum). These are the only major changes to the Trusts intended by the Deutsche Group; and
- do not intend, following appointment of DRFM as Responsible Entity of DIT, DOT and DDF pursuant to the Transaction, to remove DRFM as Responsible Entity of these Trusts and replace it with a new responsible entity.

As a practical matter, it should be noted that Deutsche Bank and its associates have, and will continue to have after the Transaction, a limited scope to affect the operation of the Trusts. This is due to the fact that majority of the Units in the Trusts in which Deutsche Bank and its associates have a relevant interest are Units held on behalf of third parties pursuant to the funds management activities of the Deutsche Group. Where acting as responsible entity in this context, they must act and vote in

accordance with the best interests of the Shareholders in the relevant scheme.

(3) When the acquisition is to be completed

The acquisition of the further interests in Units in DIT, DOT and DDF by Deutsche Bank and/or its associates will occur at the following times:

- (a) the associates of Deutsche Bank will acquire Units in the Trusts pursuant to the Stapling on about 19 October 2004;
- (b) FAP will acquire Stapled Securities pursuant to the DRO's acquisition of 50% of the issued share capital in DRH (the holding company of DRFM) and 50% of the DRH loan notes no later than 12 months after completion of that acquisition; and
- (c) Bank will acquire Stapled Securities pursuant to its role as underwriter of the underwritten DRP during February 2005.

(4) Interests of directors in the resolution

No director of the responsible entities of DDF, DIT and DOT (being DeAM and DBRE) has an interest in the Resolutions to be passed by Unitholders approving the acquisition of Units by Deutsche Bank and its associates.

(5) The identity of directors that approved or voted against the proposal to put resolution to Unitholders.

The directors of the responsible entity of DIT and DOT, DeAM, and the directors of the responsible entity of DDF, DBRE, voted unanimously to put the relevant acquisition approval resolution to the Unitholder Meeting of the relevant Trust.

(6) Associates

Deutsche Bank's key associates for the purposes of Chapter 6 of the Corporations Act are:

- Deutsche Investments Australia Limited, primarily a fund manager;
- Deutsche Securities Australia Limited, primarily a securities broker;
- Deutsche Asset Management (Australia) Limited, primarily a fund manager;
- DB RREEF Funds Management Limited, primarily a fund manager;
- First Australian Property Group Holdings Limited, holding company for DRFM; and
- Deutsche Australia Limited, the holding company of the entities above.

20 Details of interests in Trusts

20.4 Other information: acquisitions and directors

(a) Acquisitions of DDF, DIT and DOT units by Deutsche Bank or its associates

During the 4 months before the date of this Explanatory Memorandum, the highest price Deutsche Bank or an associate of Deutsche Bank provided, or agreed to provide, as consideration for DDF, DIT or DOT Units is as follows:

Trust Consideration (\$)	
DDF (3/8/04)	1.39
DIT (4/8/04)	2.05
DOT (3/8/04)	1.29

(b) Interests of directors

None of the directors of DBRE, DeAM and the proposed directors of DRFM have any interests in DDF, DIT and DOT.

No director or proposed director of DBRE, DeAM or DRFM or any person named in this Explanatory Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Memorandum holds, or held at any time during the last two years, any interest in:

- the formation or promotion of DDF, DOT or DIT; or
- property acquired or proposed to be acquired by DDF, DOT or DIT in connection with its formation or promotion or issue of securities under the Transaction;

except as set out in this Section of this Explanatory Memorandum.

(c) Other arrangements with directors

It is not proposed under the Stapling Proposal, the FAP acquisition or the DRP underwriting that any payment or benefit will be made or given to any director of DBRE, DeAM or DRFM as compensation for loss of, or as consideration for, his retirement from office as director.

20.5 DDF, DIT and DOT unit price information

The following table sets out information regarding the prices of DDF, DIT and DOT units on the ASX at various times:

Trust	DDF (\$)	DIT (\$)	DOT (\$)
Last recorded sale price as at 24 August 2004	1.24	1.92	1.18
Highest recorded sale price in previous 3 months	1.40 (3/8/04)	2.05 (4/8/04)	1.30 (3/8/04)
Lowest recorded sale price in previous 3 months	1.18 (5/7/04)	1.80 (5/7/04)	1.15 (18/8/04)
Last recorded sale price prior to announcement of Transaction	1.37	1.96	1.27

20.6 DDF, DIT and DOT units on issue

As at the date of this Explanatory Memorandum, DDF, DIT and DOT had the following number of units on issue:

Trust Units on Issue	
DDF	1,002,530,790
DIT	338,567,203
DOT	1,148,052,162

20.7 No unacceptable circumstances

The directors of DBRE and DeAM believe that the Transaction does not involve any circumstances in relation to the affairs of DDF, DIT or DOT that could reasonably be characterised as constituting “unacceptable circumstances” for the purposes of section 657A of the Corporations Act.

20 Details of interests in Trusts

20.8 Other information

Other than as contained in this Explanatory Memorandum and the Overviews, there is no information within the knowledge of any director of DBRE or a related body corporate of it, acting in that capacity, material to the making of a decision in relation to the Resolutions to be voted on by DDF unitholders, and that has not previously been disclosed to DDF unitholders.

Other than as contained in this Explanatory Memorandum, the DOT Overview and the Cash and Exchange Facilities Notice, there is no information within the knowledge of any director of DeAM or of a related body corporate of it, acting in that capacity, material to the making of a decision in relation to the Resolutions to be voted on by DOT unitholders, and that has not previously been disclosed to DOT unitholders.

Other than as contained in this Explanatory Memorandum, the DIT Overview and the Cash and Exchange Facilities Notice, there is no information within the knowledge of any director of DeAM or of a related body corporate of it, acting in that capacity, material to the making of a decision in relation to the Resolutions to be voted on by DIT unitholders, and that has not previously been disclosed to DIT unitholders.

21 Summary of properties

Summary of properties ¹			
Property	Ownership	Location	Description
Office – Australia			
8 Nicholson Street, Melbourne	100%	VIC	A Grade – office
44 Market Street, Sydney	100%	NSW	A Grade – office
Ferguson Centre, 130 George Street, Parramatta	100%	NSW	B Grade – office
383–395 Kent Street, Sydney	100%	NSW	A Grade – office
144 Edward Street, Brisbane	100%	QLD	B Grade – office
Flinders Gate Complex, 172 & 179 Flinders Street, Melbourne	100%	VIC	B Grade – office
14 Moore Street, Civic	100%	ACT	B Grade – office
1 Chifley Square, Sydney ³	100%	NSW	B Grade – office
One Margaret Street, Sydney	100%	NSW	A Grade – office
Victoria Cross, 60 Miller Street, North Sydney	100%	NSW	A Grade – office
The Zenith, 821 Pacific Highway, Chatswood	100%	NSW	A Grade – office
45 Clarence Street, Sydney ⁴	100%	NSW	A Grade – office
Governor Phillip & Macquarie Tower Complex, 1 Farrer Place, Sydney	50%	NSW	Premium Grade – office
Lumley House and Ernst & Young Building, 309–321 Kent Street, Sydney	50%	NSW	A Grade – office
Woodside Plaza, 240 St Georges Terrace, Perth	100%	WA	Premium Grade – office
30 The Bond, 30–34 Hickson Road, Sydney	100%	NSW	A Grade – office
201 Elizabeth Street, Sydney	50%	NSW	A Grade – office
Southgate Complex, 3 Southgate Avenue, Southbank	100%	VIC	A Grade – office
O'Connell House, 15–19 Bent Street, Sydney	100%	NSW	B Grade – office
Garema Court, 140–180 City Walk Civic, Canberra	100%	ACT	A Grade – office
Australia Square Complex, 264 George Street, Sydney ⁴	50%	NSW	A Grade – office
2 O'Connell Street, Sydney ¹⁰	50%	NSW	B Grade – office
4 O'Connell Street, Sydney ¹⁰	50%	NSW	B Grade – office
9–13 Bligh Street, Sydney ¹⁰	50%	NSW	B Grade – office
1 Bligh Street, Sydney ¹⁰	50%	NSW	A Grade – office
Office – New Zealand			
NRM Tower, 76 Shortland Street, Auckland ⁵	100%	NZ	Premium Grade – office
Industrial – Australia			
Redwood Gardens Industrial Estate, Boundary Road, Dingley	100%	VIC	Warehouse
Kings Park Industrial Estate, Vardys Road, Maryong	100%	NSW	Warehouse
12 Frederick Street, St Leonards	100%	NSW	Warehouse
Axxess Corporate Park, Corner Ferntree Gully & Gilby Roads, Mount Waverley	100%	VIC	Business Park
Target Distribution Centre, Lot 1 Tarras Road, Altona North	100%	VIC	Distribution Centre
Knoxfield Industrial Estate, Henderson Road, Knoxfield	100%	VIC	Distribution Centre
75 Carnarvon Street, Silverwater ³	100%	NSW	Warehouse
Axxess Corporate Park, Station Road, Seven Hills ³	100%	NSW	Industrial Estate
40 Talavera Road, North Ryde	100%	NSW	Office Park
Wallgrove Road, Eastern Creek	100%	NSW	Warehouse
10–16 South Street, Rydalmere	100%	NSW	Industrial Estate
706 Mowbray Road, Lane Cove	100%	NSW	Business Park
145–151 Arthur Street, Flemington	100%	NSW	Business Park
79 St Hilliers Road, Auburn	100%	NSW	Business Park
114–120 Old Pittwater Road, Brookvale	100%	NSW	Business Park
436–484 Victoria Road, Gladesville	100%	NSW	Business Park
1–15 Rosebery Avenue, Rosebery	100%	NSW	Business Park
2 Minna Close, Belrose	100%	NSW	Office Park
1 Garigal Road, Belrose	100%	NSW	Business Park
19 Chifley Street, Smithfield	100%	NSW	Industrial Estate
1–55 Rothschild Avenue, Rosebery ⁶	100%	NSW	Business Park

21 Summary of properties

Acquisition Date	Book Value @ 30 June 2004 adj for ownership (A\$m) ²	Independent Valuation (date)	Independent Valuation adj for ownership (A\$m) ²	Market Cap Rate	Lettable Area adj. for ownership ('000sqm)	100% US* Assets Lettable Area ('000sqf)	% Leased	Average Lease Term to Expiry (years)
Nov-1993	82	Jun-03	82	8.25%	23.7		100%	8.9
Sep-1987	145	Jun-03	144	7.75%	30.4		83%	2.4
May-1997	44	Jun-03	44	9.25%	19.6		100%	0.0
Sep-1987	102	Sep-03	104	7.50%	18.1		95%	5.6
Jul-2000	40	Sep-03	40	9.25%	16.3		96%	2.5
Mar-1999	15	Sep-03	16	8.25%	8.8		91%	1.4
May-2002	37	Apr-02	35	9.50%	10.9		100%	3.4
Dec-1998	132	Dec-2003	131	7.20%	20.9		90%	8.0
Dec-1998	90	Mar-2003	88	8.25%	14.8		97%	3.8
Dec-1998	216	Jun-2004	216	7.75%	44.4		98%	3.7
Dec-1998	163	Dec-2003	165	7.50%	32.6		31%	1.0
Dec-1998	486	Jun-2003	478	7.00%	43.3		98%	8.5
Dec-1998	129	Dec-2003	129	7.75%	23.7		97%	2.3
Jan-2001	253	Nov-2003	250	7.00%	47.1		94%	12.6
May-2002	122	Mar-2004	122	7.25%	19.7		100%	8.8
Aug-2000	113	Jun-2003	110	7.25%	19.4		94%	4.7
Aug-2000	318	Jun-2003	316	7.75%	76.5		98%	4.6
Aug-2000	47	Jun-2003	46	7.75%	10.0		76%	3.4
Aug-2000	45	Oct-2003	45	8.50%	11.4		100%	6.6
Aug-2000	178	Jun-2003	170	7.25%	26.1		91%	3.8
Aug-2000	7	Dec-2003	7	8.25%	2.0		100%	2.3
Aug-2000	12	Dec-2003	12	8.25%	3.2		58%	1.1
Aug-2000	5	Dec-2003	5	8.50%	1.6		90%	2.0
Dec-2003	16	Dec-2003	16	7.75%	2.2		100%	1.7
Aug-2004	99	n/a	n/a	n/a	18.8		100%	10.2
Dec-1994	29	Jun-2003	29	9.25%	49.6		67%	1.4
May-1990	66	Jun-2003	64	8.70%	67.4		100%	5.6
Jul-2000	26	Jun-2003	26	9.50%	19.2		94%	2.0
Oct-1996	91	Jun-2003	89	9.25%	66.6		98%	4.8
Oct-1995	32	Sep-2003	32	8.35%	41.4		100%	7.7
Aug-1996	32	Sep-2003	31	8.75%	48.5		100%	2.4
Oct-2002	30	May-2002	23	8.75%	13.1		49%	1.6
Mar-2004	5	Jan-2004	8	7.95%	–		100%	7.0
Sep-1997	42	Jun-2004	42	8.75%	34.6		100%	2.3
Sep-1997	26	Sep-2003	25	9.25%	17.4		65%	6.0
Sep-1997	26	Sep-2002	26	9.50%	19.3		100%	3.3
Sep-1997	37	Sep-2003	37	9.00%	25.7		100%	2.9
Sep-1997	42	Sep-2003	42	9.00%	30.8		99%	2.7
Sep-1997	41	Sep-2003	41	8.75%	20.4		100%	5.3
Apr-1998	48	Jun-2003	48	8.75%	28.1		86%	2.3
Dec-1998	29	Sep-2003	29	9.00%	14.3		100%	2.3
Dec-1998	25	Jun-2003	24	8.70%	12.6		100%	6.2
Dec-1998	13	Jun-2003	13	9.75%	18.5		100%	2.1
Oct-2001	33	Jul-2003	31	8.00%	16.3		100%	6.6

21 Summary of properties

Summary of properties ¹			
Property	Ownership	Location	Description
3 Brookhollow Avenue, Baulkham Hills	100%	NSW	Business Park
1 Foundation Place, Greystanes	100%	NSW	Industrial Estate
154 O'Riordan Street, Mascot	100%	NSW	Industrial Estate
The Egerton Street Industrial Estate	100%	NSW	Business Park
40 Biloela Street, Villawood	100%	NSW	Distribution Centre
2a Birmingham Street, Villawood	100%	NSW	Distribution Centre
52 Holbeche Road, Arndell Park	100%	NSW	Distribution Centre
3–7 Bessemer Street, Blacktown	100%	NSW	Distribution Centre
30–32 Bessemer Street, Blacktown	100%	NSW	Distribution Centre
27–29 Liberty Road, Huntingwood	100%	NSW	Distribution Centre
239–251 Woodpark Road, Smithfield	100%	NSW	Distribution Centre
27–33 Frank Street, Wetherill Park	100%	NSW	Distribution Centre
11 Talavera Road, North Ryde	100%	NSW	Office Park
25 Donkin Street, West End Brisbane	100%	QLD	Office Park
30 Bellrick Street, Acacia Ridge	100%	QLD	Distribution Centre
121 Evans Road, Salisbury	100%	QLD	Distribution Centre
15–23 Whicker Road, Gillman	100%	SA	Distribution Centre
352 Macaulay Road, Kensington	100%	VIC	Industrial Estate
250 Forest Road, South, Lara	100%	VIC	Distribution Centre
Pound Road, Dandenong	100%	VIC	Industrial Estate
Boundary Road, Laverton North	100%	VIC	Industrial Estate
114 Fairbank Road, Clayton	100%	VIC	Distribution Centre
68 Hasler Road, Herdsman	100%	WA	Business Park
33 McDowell Street, Welshpool ³	100%	WA	Distribution Centre
Industrial – US			
3765 Atlanta Industrial Drive, Atlanta	80%	US	Distribution Centre
7100 Highlands Parkway, Atlanta	80%	US	Business Park
Town Park Drive, Atlanta	80%	US	Business Park
Williams Drive, Atlanta	80%	US	Distribution Centre
Stone Mountain, Atlanta	80%	US	Industrial Estate
MD Food Park, Baltimore	80%	US	Distribution Centre
West Nursery, Baltimore	80%	US	Industrial Estate
Cabot Techs, Baltimore	80%	US	Business Park
9112 Guilford Road, Baltimore	80%	US	Business Park
8155 Stayton Drive, Baltimore	80%	US	Industrial Estate
Patuxent Range Road, Baltimore	80%	US	Business Park
Bristol Court, Baltimore	80%	US	Distribution Centre
NE Baltimore, Baltimore	80%	US	Industrial Estate
10 Kenwood Circle, Boston	80%	US	Distribution Centre
Commerce Park, Charlotte	80%	US	Distribution Centre
9900 Brookford Street, Charlotte	80%	US	Distribution Centre
Westinghouse, Charlotte	80%	US	Distribution Centre
Airport Exchange, Cincinnati	80%	US	Distribution Centre
Empire Drive, Cincinnati	80%	US	Distribution Centre
International Way, Cincinnati	80%	US	Industrial Estate
Kentucky Drive, Cincinnati	80%	US	Industrial Estate
Spiral Drive, Cincinnati	80%	US	Business Park
Turfway Road, Cincinnati	80%	US	Industrial Estate
124 Commerce, Cincinnati	80%	US	Distribution Centre

21 Summary of properties

Acquisition Date	Book Value @ 30 June 2004 (date)	Independent Valuation (date)	Independent Valuation adj for ownership (A\$m) ²	Market Cap Rate	Lettable Area adj. for ownership (’000sqm)	100% US* Assets Lettable Area (’000sqf)	% Leased	Average Lease Term to Expiry (years)
Dec-2002	41	Dec-2002	37	10.75%	13.4		100%	4.6
Apr-2003	36	Jan-2003	11	n/a	30.6		43%	4.9
Jul-1997	14	Jun-2004	14	7.75%	8.2		100%	1.7
various	39	Sep-2003	39	9.00%	29.3		100%	3.8
Jul-1997	7	Sep-2003	7	8.75%	7.3		100%	4.0
Jun-1997	9	Sep-2003	9	9.25%	11.4		100%	0.5
Jul-1998	11	Sep-2003	11	8.50%	9.8		100%	4.1
Jun-1997	10	Sep-2003	10	8.75%	8.0		100%	5.4
May-1997	15	Sep-2003	15	9.00%	14.7		100%	6.2
Jul-1998	7	Sep-2003	7	9.00%	6.8		100%	2.0
May-1997	6	Sep-2003	6	8.75%	5.2		100%	5.6
Jul-1998	13	Dec-2003	13	9.75%	13.8		100%	2.5
"75% Apr-2002 + 25% Jun-2002"	130	Jun-2003	130	8.25%	36.3		87%	5.0
Dec-1998	18	Jun-2003	17	9.50%	11.2		92%	1.8
Jul-1997	12	Sep-2003	12	9.50%	17.8		100%	3.2
Jul-1997	15	Sep-2003	14	9.50%	24.8		100%	2.4
Dec-2002	20	Dec-2002	19	9.60%	72.1		100%	8.0
Oct-1998	7	Jun-2003	7	8.72%	6.4		100%	3.9
Dec-2002	34	Dec-2002	32	10.15%	117.3		100%	8.0
Jan-2004	40	Sep-2003	38	8.71%	74.2		100%	5.3
Jul-2002	24	Jun-2004	24	7.75%	20.2		100%	15.5
Jul-1997	11	Sep-2003	11	9.75%	18.2		100%	1.4
Jul-1998	8	Jun-2004	8	8.50%	4.7		100%	5.3
Sep-2004	5	May-2004	4	10.00%	12.0	162.0	53%	2.3
Sep-2004	16	May-2004	11	10.00%	11.1	150.0	100%	3.0
Sep-2004	7	May-2004	7	9.75%	9.0	121.4	95%	1.6
Sep-2004	10	May-2004	10	9.75%	15.5	208.3	75%	2.1
Sep-2004	7	May-2004	5	10.50%	10.0	134.2	77%	1.8
Sep-2004	21	May-2004	21	9.50%	33.7	453.9	100%	3.2
Sep-2004	8	May-2004	6	10.00%	6.6	88.1	68%	1.8
Sep-2004	23	May-2004	23	9.50%	9.7	130.7	100%	2.0
Sep-2004	9	May-2004	9	9.50%	4.1	55.0	100%	10.6
Sep-2004	7	May-2004	7	9.50%	9.3	125.7	100%	1.2
Sep-2004	12	May-2004	12	9.50%	11.3	151.9	100%	2.3
Sep-2004	10	May-2004	10	9.50%	9.9	133.1	100%	1.7
Sep-2004	8	May-2004	8	9.50%	8.1	108.8	76%	2.5
Sep-2004	12	May-2004	11	9.25%	11.4	153.4	100%	3.7
Sep-2004	8	May-2004	7	10.50%	14.3	192.6	100%	1.6
Sep-2004	4	May-2004	4	10.50%	9.1	122.0	48%	3.3
Sep-2004	21	May-2004	18	10.00%	42.3	568.5	74%	3.3
Sep-2004	4	May-2004	3	11.00%	5.0	67.7	34%	2.1
Sep-2004	6	May-2004	6	12.00%	14.6	196.9	24%	1.7
Sep-2004	11	May-2004	10	10.25%	22.3	300.0	100%	10.2
Sep-2004	12	May-2004	11	10.75%	25.8	347.4	86%	1.7
Sep-2004	6	May-2004	6	10.50%	4.6	61.6	94%	1.8
Sep-2004	5	May-2004	5	11.00%	8.3	111.9	89%	2.0
Sep-2004	2	May-2004	2	10.00%	2.6	34.6	100%	6.6

21 Summary of properties

Summary of properties ¹			
Property	Ownership	Location	Description
Kenwood Road, Cincinnati	80%	US	Distribution Centre
Lake Forest Drive, Cincinnati	80%	US	Distribution Centre
World Park, Cincinnati	80%	US	Distribution Centre
Equity/Westbelt/Dividend, Columbus	80%	US	Industrial Estate
2700 International Street, Columbus	80%	US	Industrial Estate
3800 Twin Creeks Drive, Columbus	80%	US	Industrial Estate
SE Columbus, Columbus	80%	US	Distribution Centre
Arlington, Dallas	80%	US	Business Park
1900 Diplomat Drive, Dallas	80%	US	Business Park
2055 Diplomat Drive, Dallas	80%	US	Business Park
1413 Bradley Lane, Dallas	80%	US	Business Park
North Lake, Dallas	80%	US	Distribution Centre
555 Airline Drive, Dallas	80%	US	Industrial Estate
455 Airline Drive, Dallas	80%	US	Industrial Estate
Hillguard, Dallas	80%	US	Industrial Estate
11011 Regency Crest Drive, Dallas	80%	US	Distribution Centre
East Collins, Dallas	80%	US	Business Park
3601 East Plano/1000 Shiloh, Dallas	80%	US	Industrial Estate
East Plano Parkway, Dallas	80%	US	Industrial Estate
820–860 Avenue F, Dallas	80%	US	Business Park
10th Street, Dallas	80%	US	Industrial Estate
Capital Avenue Dallas	80%	US	Industrial Estate
CTC @ Valwood, Dallas	80%	US	Business Park
Brackbill, Harrisburg	80%	US	Distribution Centre
Mechanicsburg, Harrisburg	80%	US	Distribution Centre
181 Fulling Mill Road, Harrisburg	80%	US	Distribution Centre
Glendale, Los Angeles	80%	US	Industrial Estate
14489 Industry Circle, Los Angeles	80%	US	Distribution Centre
14555 Alondra/6530 Altura, Los Angeles	80%	US	Distribution Centre
San Fernando Valley, Los Angeles	80%	US	Industrial Estate
Memphis Industrial, Memphis	80%	US	Distribution Centre
2950 Lexington Avenue S, Minneapolis	80%	US	Distribution Centre
Mounds View, Minneapolis	80%	US	Distribution Centre
6105 Trenton Lane, Minneapolis	80%	US	Distribution Centre
8575 Monticello Lane, Minneapolis	80%	US	Distribution Centre
7401 Cahill Road, Minneapolis	80%	US	Industrial Estate
CTC @ Dulles, Northern Virginia	80%	US	Business Park
Alexandria, Northern Virginia	80%	US	Industrial Estate
Nokes Boulevard, Northern Virginia	80%	US	Business Park
Guilford, Northern Virginia	80%	US	Business Park
Beaumeade Telecom, Northern Virginia	80%	US	Business Park
Orlando Central Park, Orlando	80%	US	Industrial Estate
7500 Exchange Drive, Orlando	80%	US	Industrial Estate
105–107 South 41st Avenue, Phoenix	80%	US	Distribution Centre
1429–1439 South 40th Avenue, Phoenix	80%	US	Distribution Centre
10397 West Van Buren St., Phoenix	80%	US	Distribution Centre
844 44th Avenue, Phoenix	80%	US	Distribution Centre
220 South 9th Street, Phoenix	80%	US	Distribution Centre
431 North 47th Avenue, Phoenix	80%	US	Distribution Centre
601 South 55th Avenue, Phoenix	80%	US	Distribution Centre

21 Summary of properties

Acquisition Date	Book Value @ 30 June 2004 (date)	Independent Valuation (date)	Independent Valuation adj for ownership (A\$m) ²	Market Cap Rate	Lettable Area adj. for ownership ('000sqm)	100% US* Assets Lettable Area ('000sqf)	% Leased	Average Lease Term to Expiry (years)
Sep-2004	19	May-2004	19	11.50%	57.2	770.1	92%	2.5
Sep-2004	13	May-2004	12	11.00%	31.0	417.0	70%	4.7
Sep-2004	12	May-2004	14	11.00%	29.5	396.8	69%	0.7
Sep-2004	38	May-2004	40	9.50%	68.4	919.7	94%	3.7
Sep-2004	3	May-2004	3	11.00%	11.4	152.8	62%	5.6
Sep-2004	5	May-2004	4	11.00%	13.1	176.0	100%	4.1
Sep-2004	14	May-2004	13	9.50%	26.8	361.1	100%	1.2
Sep-2004	9	May-2004	8	9.75%	9.7	130.6	39%	6.7
Sep-2004	5	May-2004	5	9.75%	6.2	82.8	100%	3.0
Sep-2004	3	May-2004	2	10.00%	4.0	53.4	0%	0.0
Sep-2004	3	May-2004	3	9.75%	4.2	56.5	100%	4.2
Sep-2004	10	May-2004	9	9.75%	17.1	230.4	100%	1.5
Sep-2004	7	May-2004	6	9.75%	10.5	140.8	100%	0.9
Sep-2004	3	May-2004	3	9.75%	5.6	75.0	100%	2.3
Sep-2004	8	May-2004	7	9.75%	18.4	247.9	66%	2.4
Sep-2004	7	May-2004	6	9.75%	13.1	176.6	62%	1.4
Sep-2004	4	May-2004	3	9.75%	4.2	56.5	75%	5.8
Sep-2004	13	May-2004	13	9.75%	21.3	286.9	18%	1.6
Sep-2004	22	May-2004	22	9.75%	22.8	306.6	100%	3.5
Sep-2004	7	May-2004	6	9.75%	5.4	73.1	100%	3.5
Sep-2004	10	May-2004	11	9.75%	15.4	206.9	60%	2.4
Sep-2004	6	May-2004	6	9.75%	7.5	100.5	100%	3.3
Sep-2004	4	May-2004	4	9.75%	3.5	46.8	28%	3.7
Sep-2004	24	May-2004	24	10.00%	36.7	494.4	100%	3.4
Sep-2004	19	May-2004	20	10.50%	28.1	377.8	100%	3.1
Sep-2004	9	May-2004	9	10.50%	13.8	186.0	100%	2.1
Sep-2004	54	May-2004	54	9.75%	33.5	451.0	64%	2.2
Sep-2004	8	May-2004	7	9.50%	8.4	112.9	100%	3.5
Sep-2004	19	May-2004	19	9.50%	22.6	304.4	100%	4.0
Sep-2004	16	May-2004	17	9.00%	13.5	181.6	100%	4.5
Sep-2004	10	May-2004	10	10.00%	25.0	336.1	100%	3.8
Sep-2004	10	May-2004	10	10.25%	13.7	184.4	95%	2.7
Sep-2004	20	May-2004	20	10.25%	23.9	321.1	94%	4.0
Sep-2004	8	May-2004	8	10.25%	9.1	122.0	100%	4.9
Sep-2004	2	May-2004	2	10.50%	3.0	40.4	77%	0.1
Sep-2004	3	May-2004	3	10.75%	3.4	45.8	71%	0.7
Sep-2004	27	May-2004	27	7.50%	7.7	103.5	100%	9.4
Sep-2004	49	May-2004	52	10.00%	28.9	388.5	100%	4.8
Sep-2004	22	May-2004	26	9.00%	12.4	167.2	100%	4.8
Sep-2004	18	May-2004	18	9.50%	13.2	177.3	91%	1.8
Sep-2004	35	May-2004	31	9.00%	12.2	164.5	100%	11.5
Sep-2004	61	May-2004	60	9.50%	94.7	1,274.8	90%	2.9
Sep-2004	5	May-2004	6	9.50%	8.6	115.7	100%	0.9
Sep-2004	14	May-2004	14	10.75%	28.6	385.2	88%	0.9
Sep-2004	10	May-2004	10	9.75%	18.8	253.4	100%	3.1
Sep-2004	8	May-2004	7	9.75%	20.7	278.1	63%	0.1
Sep-2004	7	May-2004	7	9.75%	10.7	144.6	100%	7.4
Sep-2004	7	May-2004	7	9.50%	6.6	89.4	100%	5.7
Sep-2004	7	May-2004	6	9.75%	12.1	163.2	100%	2.4
Sep-2004	5	May-2004	5	9.75%	7.4	100.0	100%	4.9

21 Summary of properties

Summary of properties ¹				
Property	Ownership	Location		Description
1000 South Priest Drive, Phoenix	80%	US		Business Park
1120–1150 W. Alameda Drive, Phoenix	80%	US		Business Park
1858 East Encanto Drive, Phoenix	80%	US		Distribution Centre
3802–3922 East University Drive, Phoenix	80%	US		Business Park
Chino, Riverside	80%	US		Distribution Centre
Mira Loma, Riverside	80%	US		Distribution Centre
Ontario, Riverside	80%	US		Industrial Estate
4190 East Santa Ana Street, Riverside	80%	US		Industrial Estate
Rancho Cucamonga, Riverside	80%	US		Industrial Estate
12000 Jersey Court, Riverside	80%	US		Distribution Centre
1855 Dornoch Court, San Diego	80%	US		Distribution Centre
Airway Road, San Diego	80%	US		Industrial Estate
5823 Newton Drive, San Diego	80%	US		Business Park
2210 Oak Ridge Way, San Diego	80%	US		Business Park
Kent West, Seattle	80%	US		Industrial Estate
26507 79th Avenue – South, Seattle	80%	US		Business Park
8005 S. 266th Street, Seattle	80%	US		Distribution Centre
West Palm Beach, South Florida	80%	US		Distribution Centre
Calvert/Murry's, Northern Virginia	80%	US		Industrial Estate
Car Parks – Australia				
32–44 Flinders Street, Melbourne	100%	VIC		Carpark
34–60 Little Collins Street, Melbourne	100%	VIC		Carpark
Albert & Charlotte Streets, Brisbane	100%	QLD		Carpark
Flinders Gate Complex, 172 Flinders Street, Melbourne	100%	VIC		Carpark
383–395 Kent Street, Sydney	100%	NSW		Carpark
Retail – Australia				
Whitford City Shopping Centre, Hillary ⁷	50%	WA	Regional – shopping centre	
Whitford Avenue, Hillary ⁷	50%	WA	Regional – shopping centre	
West Lakes Shopping Centre, Westlakes ⁷	50%	SA	Regional – shopping centre	
Plenty Valley Town Centre, South Morang ⁷	50%	VIC	Sub-Regional – shopping centre	
Westfield Mount Druitt ⁸	50%	NSW	Regional – shopping centre	
Westfield Hurstville ⁸	50%	NSW	Regional – shopping centre	
Westfield Northlakes ⁸	50%	QLD	Regional – shopping centre	
TOTAL / AVERAGE				

21 Summary of properties

Acquisition Date	Book Value @ 30 June 2004 (date)	Independent Valuation (date)	Independent Valuation adj for ownership (A\$m) ²	Market Cap Rate	Lettable Area adj. for ownership ('000sqm)	100% US* Assets Lettable Area ('000sqf)	% Leased	Average Lease Term to Expiry (years)
Sep-2004	5	May-2004	5	9.75%	4.1	54.9	100%	3.9
Sep-2004	7	May-2004	7	9.75%	9.1	122.4	63%	1.4
Sep-2004	4	May-2004	4	9.75%	6.1	81.8	82%	2.6
Sep-2004	10	May-2004	10	9.50%	8.2	109.7	81%	2.2
Sep-2004	6	May-2004	6	9.50%	7.8	104.6	56%	1.8
Sep-2004	11	May-2004	12	9.75%	18.6	250.6	100%	1.7
Sep-2004	32	May-2004	32	9.25%	42.5	571.8	94%	3.4
Sep-2004	5	May-2004	5	9.00%	7.3	98.8	100%	2.6
Sep-2004	24	May-2004	23	9.63%	31.9	429.5	96%	0.9
Sep-2004	5	May-2004	4	10.00%	6.6	88.1	100%	0.1
Sep-2004	10	May-2004	10	10.75%	16.4	220.0	60%	0.0
Sep-2004	10	May-2004	10	10.00%	9.2	123.1	74%	3.7
Sep-2004	18	May-2004	19	9.38%	13.4	179.7	100%	5.0
Sep-2004	6	May-2004	6	9.63%	4.0	53.2	100%	4.7
Sep-2004	27	May-2004	29	9.75%	29.9	402.8	91%	1.2
Sep-2004	3	May-2004	3	9.75%	2.7	35.9	100%	1.5
Sep-2004	8	May-2004	7	9.75%	6.9	92.4	87%	4.1
Sep-2004	23	May-2004	20	10.00%	11.0	147.3	100%	5.8
Sep-2004	6	May-2004	5	10.00%	6.1	82.6	92%	3.8
Jun-1998	25	Sep-2003	25	8.00%	–		100%	9.6
Nov-1984	42	Sep-2003	42	8.50%	–		100%	9.6
Oct-1984	32	Sep-2003	32	9.00%	–		100%	9.9
Mar-1999	45	Sep-2003	45	8.25%	–		100%	9.6
Sep-1987	40	Sep-2003	40	8.75%	–		100%	10.0
Oct-1984	169	Jun-2003	153	7.50%	34.1		99%	4.9
Dec-1992	8	Jun-2003	8	9.50%	4.7		100%	3.2
Nov-1998	104	Jun-2003	86	7.50%	24.4		100%	3.5
Nov-1999	17	Jun-2003	16	8.50%	3.1		98%	5.1
Aug-2004	140	n/a	n/a	n/a	34.5		n/a	n/a
Mar-2005	232	n/a	n/a	n/a	32.6		100%	3.5
Aug-2004	63	Jun-2004	60	7.50%	13.0		98%	8.5
	6,166				3,272.9	19,857.1	91%	4.8

21 Summary of properties

Reconcilaition to investment properties in Statements of Financial Position

A\$ million	Notes	DDF	DIT	DOT	US	Total
Total		1,693	886	2,430	1,156	6,166
Adjustments - Investment Properties						
Add back Chifley Square 100% sale - timing	3	60				60
Add back West Lakes 50% sale - timing	8	104				104
Add back Seven Hills 100% sale - timing	3	11				11
Deduct Hurstville 50% sale - timing	8	(232)				(232)
Add back Welshpool 100% sale - timing	3		4			4
Add back Rosebery partial sale - timing	6		19			19
Deduct equity accounted properties	10			(40)		(40)
Deduct value of NRM Tower less deposit	5			(99)		(990)
Add back minority interests of US industrial portfolio					293	293
Total Investment Properties		1,636	909	2,291	1,449	6,286
Adjustments - Other						
Regional retail portfolio (ex Hurstville & West Lakes)	7 & 8	7				
Sale of assets (Rosebery & Seven Hills)	3 & 6	(12)	(19)			
Deposit on NRM Tower	5			5		
Total Other		(5)	(19)	5		(19)
Proforma Investment Properties		1,631	890	2,296	1,449	6,266

Notes:

1. Data is based on 30 June 2004 values and reflects the net of all future acquisitions and divestments.
2. All data is represented in Australian dollars. Conversion rates as at 28/7/04: AUD/USD 0.7017, AUD/NZD 1.1136
3. Future committed sale of 100% interest in the asset.
4. Percentage leased statistics for Australia Square and 30 The Bond include income support as at 30 June 2004 related to vacant premises.
5. Future committed acquisition of 100% interest in the asset.
6. Includes future committed sale of a partial interest in the asset.
7. Future committed sale of 50% interest in the asset.
8. Future committed acquisition of 50% interest in the asset.
9. Percentage leased & average lease term to expiry statistics for Westfield Hurstville are unavailable due to redevelopment of centre.
10. Properties are equity accounted.

n/a = not available

22 Directors' statements

Board of directors of DRFM

This Explanatory Memorandum has been duly signed on behalf of DRFM by its company secretary named below.

Each director of DRFM has consented to the lodgement of this Explanatory Memorandum with ASIC.



Ian S. Thompson

Secretary

Board of directors of DBRE

This Explanatory Memorandum has been duly signed on behalf of DBRE by its company secretary named below.

Each director of DBRE has consented to the lodgement of this Explanatory Memorandum with ASIC.



Ian S. Thompson

Secretary

Board of directors of DeAM

This Explanatory Memorandum has been duly signed on behalf of DeAM by its company secretary named below.

Each director of DeAM has consented to the lodgement of this Explanatory Memorandum with ASIC.



Ian S. Thompson

Secretary

23 Glossary

23.1 Defined terms

This section sets out definitions for most of the terms and key words used in this Explanatory Memorandum, as well as each of the Overviews.

A\$	Australian dollars
AASB	Australian Accounting Standards Board
ABCP	Asset Backed Commercial Paper
AGAAP	Australian generally accepted accounting principles
ASIC	Australian Securities and Investments Commission
ASX	Australian Stock Exchange Limited (ACN 008 624 691) or the market conducted by it as the context requires
Brand Control and Trademark Licence Deed	the brand control and trade mark licence deed proposed to be entered into between Deutsche Bank AG, RREEF America LLC, DAL, DRH and DRFM as described in Section 19.2
Business Day	a business day for the purpose of the Listing Rules
Business Rules	the business rules of the clearing house of the ASX
Bylaws	the Bylaws of US REIT
Cabot Holdings	Cabot Industrial Holdings, LLC
Call Option	the call option in favour of DRFM in respect of shares and loan notes issued by DRH and held by FAP, as contained in the Shareholders Deed
CalPERS	California Public Employees' Retirement System
CalWest	Calwest Industrial Properties, LLC
CalWest Sub	CalWest DBRIT, LLC
Cash Sale and Exchange Election Form, Election Form	the form attached to the Cash Sale and Exchange Facilities Notices by which Unitholders may elect to participate in the Cash Sale and Exchange Facilities
Cash Sale and Exchange Facilities	the facilities under which Unitholders may sell some or all of their Units to the Sale Bank for cash (Cash Sale Facility) or in exchange for Stapled Securities (Exchange Facility)
Cash Sale and Exchange Facilities Notice	instructions on how to use the Cash Sale Facility or the Exchange Facility for the relevant Trust
Cash Sale Facility	the facility under which Unitholders may sell some or all of their Units to the Sale Bank for cash
CBD	Central business district
CGT	the capital gains tax provisions contained in Part 3 of the Australian Income Tax Assessment Act 1997 as amended
CMBS	commercial mortgage backed security, a form of debt instrument
Compliance Committee	the compliance committee for each of the Trusts, as required under Part 5C.5 of the Corporations Act
Conditions	each of the conditions precedent to the implementation of the Transaction as summarised in Section 1 and set out in the summary of the Stapling Implementation Deed Poll described in Section 19.2.

23 Glossary

Contribution Agreement	the agreement of that name between CalWest Sub and the US REIT pursuant to which the US Joint Venture is to be established and funded
Contribution Amount	the amount to be contributed by US REIT to the US Joint Venture under the Contribution Agreement
Corporations Act	the Corporations Act 2001 (Commonwealth)
CP	commercial paper, a form of debt instrument
CY	calendar year ending 31 December, for example, CY05 means the year ending 31 December 2005
DAL	Deutsche Australia Limited ABN 37 006 385 593
DBRE	DB Real Estate Australia Limited ACN 006 036 442
DB Real Estate	Deutsche Bank's global real estate business
DDF	Deutsche Diversified Trust ARSN 089 324 541
DDF Notice	the notice issued by DBRE for the purpose of convening the DDF Meeting
DDF Resolutions	the resolutions set out in the DDF Notice
DDF Supplemental Deed Poll	the deed poll pursuant to which, subject to the approval of Unitholders, the Old DDF Constitution will be replaced with the New DDF Constitution
DDF Unit	an ordinary unit in DDF
DDF Unitholder	the registered holder of a DDF Unit
DDF Unitholders' Meeting	the meeting of DDF Unitholders convened for the purpose of considering the DDF Resolutions
DeAM	Deutsche Asset Management (Australia) Limited ACN 076 098 596
Deutsche Bank	Deutsche Bank AG
Deutsche Group	Deutsche Bank AG and it's related corporations
DIT	Deutsche Industrial Trust ARSN 090 879 137
DIT Notice	the notice issued by DeAM for the purpose of convening the DIT Meeting
DIT Resolutions	the resolutions set out in the DIT Notice
DIT Supplemental Deed Poll	the deed poll pursuant to which, subject to the approval of Unitholders, the Old DIT Constitution will be replaced with the New DIT Constitution
DIT Unit	an ordinary unit in DIT
DIT Unitholder	the registered holder of a DIT Unit
DIT Unitholders' Meeting	the meeting of DIT Unitholders convened for the purpose of considering the DIT Resolutions
DOT	Deutsche Office Trust ARSN 090 768 531
DOT Notice	the notice issued by DeAM for the purpose of convening the DOT Meeting.
DOT Resolutions	the resolutions set out in the DOT Notice
DOT Supplemental Deed Poll	the deed poll pursuant to which, subject to the approval of Unitholders, the Old DOT Constitution will be replaced with the New DOT Constitution
DOT Unit	an ordinary unit in DOT
DOT Unitholder	the registered holder of a DOT Unit

23 Glossary

DOT Unitholders' Meeting	the meeting of DOT Unitholders convened for the purpose of considering the DOT Resolutions
DRFM	DB RREEF Funds Management Limited ACN 060 920 783 and, where the context requires, DRH
DRH	DB RREEF Holdings Pty Limited ACN 110 366 946
DRO	DB RREEF Operations Trust ARSN 110 521 223
DRO Unit	an ordinary unit in DRO
DRP	the distribution reinvestment plan for DRT
DRT	the Stapled group, known as DB RREEF Trust, which will be formed if the Stapling Proposal is approved and the Transaction implemented, comprising DDF, DIT, DOT, DRO and their controlled entities
DSAL	Deutsche Securities Australia Limited ACN 003 204 368
DWPF	Deutsche Wholesale Property Fund ARSN 090 499 013
EBIT	Earnings Before Interest and Tax
Effective Date	the date on which the last of the Conditions is satisfied (or, where possible, waived)
Escrow Deed	the escrow deed proposed to be entered into between DRFM and FAP as described in Section 19.2
EPU	earnings per unit
Exchange Facility	the facility under which Unitholders may sell some or all of their Units to the Sale Bank in exchange for Stapled Securities
Existing DDF Unit	a fully paid up unit in the issued capital of DDF prior to the Issue Date
Existing DIT Unit	a fully paid up unit in the issued capital of DIT prior to the Issue Date
Existing DOT Unit	a fully paid up unit in the issued capital of DOT prior to the Issue Date
Existing Operating Partnership	Cabot Industrial US Assets, L.P.
Explanatory Memorandum	this explanatory memorandum and PDS
FAP	First Australia Property Group Holdings Pty Limited ABN 52 065 816 560
FIRB	Foreign Investment Review Board
Foreign Unitholder	any Unitholder who has an address which is outside Australia and New Zealand and their respective external territories
FUM	funds under management
FY	financial year ending 30 June, for example FY05 means the financial year ending 30 June 2005
GAAP	Generally Accepted Accounting Principles
GST	Goods and Services Tax
IFRS	International Financial Reporting Standards
Independent Accountant	PricewaterhouseCoopers Securities Limited
Independent Director	Directors of DRH and DRFM, other than those appointed by DAL
Independent Expert	Grant Samuel & Associates Pty Limited (ABN 28 050 036 372)
Independent Expert Report	the report prepared by the Independent Expert, as set out in Attachment 1 and summarised in Section 12

23 Glossary

Investigating Accountant	PricewaterhouseCoopers Securities Limited
Investigating Accountant's Report	the report prepared by the Independent Accountant, as set out in Section 12
Investment Management Agreement	the agreement between the US Joint Venture and an investment manager engaged as the US Joint Venture's agent
IRR	internal rate of return
Issue Date	the date on which Stapled Securities are created
Last Trading Date	the last day of trading in Existing DDF Units, Existing DOT Units and Existing DIT Units
Listed Trusts	DIT, DOT, DDF and DRO
Listing Rules	the listing rules (including appendices) of the ASX as amended from time to time
Loan Subscription Agreement	the subscription agreement proposed to be entered into between FAP and DRH pursuant to which FAP will subscribe for Loan Notes as described in Section 19.2
Management Delegation Deed	the management delegation deed proposed to be entered into between DRFM and DBRE as described in Section 19.2
Market Price	the market price of Units, Stapled Securities or Options, as determined pursuant to the terms of the various Trust constitutions
Maturity Date	the 20th anniversary of the date on which the Loan Notes are issued
MTN	medium term note, a form of debt instrument
New Constitution	the New DDF Constitution, New DIT Constitution, New DOT Constitution and DRO's Constitution
New DDF Constitution	the constitution which will replace the Old DDF Constitution as the constitution of DDF if Resolution 1 takes effect
New DIT Constitution	the constitution which will replace the Old DIT Constitution as the constitution of DIT if Resolution 1 takes effect
New DOT Constitution	the constitution which will replace the Old DOT Constitution as the constitution of DOT if Resolution 1 takes effect
Notice of Meeting	each of the DDF Notice, the DIT Notice and the DOT Notice
NTA	Net Tangible Assets
NZ	New Zealand
NZ\$	NZ dollars
Old DDF Constitution	the current constitution of DDF
Old DIT Constitution	the current constitution of DIT
Old DOT Constitution	the current constitution of DOT
Overview	in respect of each of DDF, DIT and DOT, an overview document containing the relevant Notice of Meeting and a summary of certain information contained in this Explanatory Memorandum
PDS	Product Disclosure Statement
Put Option	a put option in favour of FAP in respect of its shares and loan notes issued by DRH, as contained in the Shareholders Deed
PwC	the Investigating Accountant

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REIT	Real Estate Investment Trust
Resolutions	the DDF Resolutions, the DIT Resolutions and the DOT Resolutions
Responsible Entity	DRFM as the proposed Responsible Entity of each of the Trusts
Restricted Securities	the Stapled Securities issued to FAP under the Share Sale Agreement in relation to which FAP is restricted from undertaking certain dealings
Restructured DIT Unit	a DIT Unit following the split of DIT Units to be undertaken as part of the Stapling
Restructured DOT Unit	a DOT Unit following the consolidation of DOT Units to be undertaken as part of the Stapling
Restructured Security	a restructured DIT or DOT Unit
RREEF	RREEF America, LLC
Sale Bank	the investment bank which will facilitate the Cash Sale and Exchange Facility
Sale Facility Participant	a Unitholder who has validly elected to participate in the Cash Sale and Exchange Facilities or a Foreign Unitholder
Security	a DDF Unit, DIT Unit or DOT Unit.
Shareholders	FAP and DRFM as responsible entity of DRO
Shareholders Deed	the Shareholders Deed relating to the holding of shares and loan notes in DRH proposed to be entered into by FAP, DAL, DRFM (in its capacity as Responsible Entity of DRO and in its own right) and DRH, as described in Section 19.2
Share Sale Agreement	an agreement for the sale and purchase of shares and loan notes to be issued by DRH, proposed to be entered into by FAP, DAL, DRO, DRH and DRFM, as described in Section 19.2
Shortfall Payments	up to US\$5,000,000 that CalWest guarantees for any cumulative shortfall in the Shortfall Period
Shortfall Performance	the shortfall between the actual gross operating income produced by the portfolio and the projected gross operating income during the Shortfall Period
Shortfall Period	the period beginning at the closing and ending June 30, 2006
Stapled Security	one DDF Unit, one Restructured DIT Unit, one Restructured DOT Unit and one DRO Unit that are Stapled to each other
Stapled Securityholder	the registered holder of a Stapled Security
Stapling	the linking together of Units in the Trusts so that a Unit may not be dealt with without a corresponding dealing with a Unit of each other Trust
Stapling Implementation Deed Poll	the deed poll of that name made by DRFM in favour of the Unitholders in relation to implementation of the Stapling and the Transaction
Stapling Proposal	the Stapling and associated actions as described in Section 3
Stapling Ratio	the ratio described in Section 3
Stapling Record Date	the date for determining entitlements to Stapled Securities
STC	SAS Trustee Corporation
Subscription Agreement	the agreement between DBRE, DeAM and the US REIT pursuant to which DBRE and DeAM will subscribe for shares in the US REIT

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Syndicates	the property trusts described in Section 4.3(c), to be managed by DRFM if the Transaction is implemented
Tax Reports	the reports prepared by Greenwoods & Freehills and PwC, as set out in Section 12
TIAA	Teachers Insurance and Annuity Association of America
Total Issue Price	the total price to be paid by DBRE and DeAM for shares of the US REIT under the Subscription Agreement
Transaction	<p>the creation and establishment of DRT, which will be brought about by:</p> <ul style="list-style-type: none"> ■ the Stapling of Units in the Trusts; ■ the acquisition of the US Assets; ■ the A\$25 million investment in DWPF with up to a possible further A\$25 million investment; and ■ the partial internalisation of DRT's management by the acquisition by DRO of a 50% interest in DRFM. <p>Transaction is more fully described in this Explanatory Memorandum</p>
Transitional Services Agreement	the transitional services agreement proposed to be entered into between DAL, DRH, and DRFM as described in Section 19.2
Trust	each of DDF, DIT, DOT and DRO
Unit	a unit in any of the Trusts
Unitholder	in respect of each of the Trusts, the registered holder of a Unit, including any persons jointly registered
Unitholder Meeting	each of the DDF Unitholders' Meeting, the DIT Unitholders' Meeting and the DOT Unitholders' Meeting
US, USA	United States of America
US\$	US dollars
US Acquisition Price	the acquisition price for the US Assets on a 100% basis, being US\$1,014.36 million
US Assets	a portfolio of US industrial assets comprising 93 properties spread across 18 US metropolitan areas
US Assets Holdings	a 100% interest in Cabot Industrial Holdings
US JV Member	CalWest Sub and the US REIT, in their capacity as members of the US Joint Venture
US Joint Venture	DB RREEF Industrial, LLC, a Delaware limited liability company, the joint venture between CalWest and US REIT
US Manager	DB RREEF, or any other entity engaged to manage the US Joint Venture
US REIT	DB RREEF Industrial US Assets Inc.
US Shareholders Agreement	the shareholders agreement between US REIT and the responsible entity of each of DIT and DDF
VWAP	volume weighted average price, a measure of the trading price of Units or Stapled Securities (as the case may be)

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Independent Expert's Report

DB Real Estate
Deutsche Bank Group



**Financial Services Guide
and
Independent Expert's Report
in relation to
the Proposed Stapling of
Deutsche Office Trust,
Deutsche Industrial Trust
and Deutsche Diversified Trust**

Grant Samuel & Associates Pty Limited

(ACN 050 036 372)

25 August 2004

Attachment 1

Independent Expert's Report

GRANT SAMUEL



GRANT SAMUEL & ASSOCIATES

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") carries on business at Level 19, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000. Grant Samuel holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

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

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

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Deutsche Asset Management (Australia) Limited ("DeAM") as responsible entity for Deutsche Office Trust ("DOT") and Deutsche Industrial Trust ("DIT") and DB Real Estate Australia Limited ("DBRE") as responsible entity for Deutsche Diversified Trust ("DDF") in relation to the proposed stapling of DOT, DIT and DDF to form the DB RREEF Trust ("DRT") (the "DRT Report"), Grant Samuel will receive a fixed fee of \$900,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 10.3 of the DRT Report).

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

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Practice Note 42 issued by the Australian Securities Commission (the predecessor to the Australian Securities & Investments Commission) on 8 December 1993. The following information in relation to the independence of Grant Samuel is stated in Section 10.3 of the DRT Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with DOT, DIT, DDF, DeAM, DBRE and Deutsche Bank (nor any of its subsidiaries) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal. Grant Samuel advises that:

- *Grant Samuel Property Pty Limited, a related entity of Grant Samuel, provides services to existing or potential property tenants. From time to time these services may relate to properties owned by DOT, DIT and DDF or properties managed by DeAM and DBRE; and*
- *the Grant Samuel group of companies is a tenant of Governor Macquarie Tower, 1 Farrer Place, Sydney which is 50% owned by DOT and managed by DeAM.*

Grant Samuel commenced analysis for the purposes of this report in June 2004 prior to the announcement of the Proposal. This work did not involve Grant Samuel participating in setting the terms of, or any negotiations leading to, the Proposal.

Grant Samuel has no involvement with, or interest in the outcome of, the Proposal, other than the preparation of this report.

Grant Samuel will receive a fixed fee of \$900,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Practice Note 42 issued by the ASIC (previously known as Australian Securities Commission) on 8 December 1993."

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Industry Complaints Services' Complaints Handling Tribunal, No. F 4197.

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

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Appendix 1 - Market Evidence

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1 Terms of the Proposal

On 4 August 2004, Deutsche Asset Management (Australia) Limited ("DeAM"), as responsible entity for Deutsche Office Trust ("DOT") and Deutsche Industrial Trust ("DIT"), and DB Real Estate Australia Limited ("DBRE"), as responsible entity for Deutsche Diversified Trust ("DDF"), announced a proposal to merge the trusts and undertake certain other transactions (the "Proposal"). The merger is to be achieved by stapling the units in DOT, DIT, DDF and a newly established trading trust named DB RREEF Operations Trust ("DRO") to create stapled securities in DB RREEF Trust ("DRT"). Both DeAM and DBRE are wholly owned subsidiaries of Deutsche Australia Limited ("Deutsche Australia"), which is itself a wholly owned subsidiary of Deutsche Bank AG ("Deutsche Bank").

The Proposal also involves:

- the acquisition by DRT (through DRO) of a 50% interest in DB RREEF Holdings Pty Limited ("DBRF Holdings") from a wholly owned subsidiary of Deutsche Bank. At the time of acquisition, DBRF Holdings will own 100% of DB RREEF Funds Management Limited ("DBRF Management"). DBRF Management will replace DeAM as the responsible entity of DOT and DIT and replace DBRE as the responsible entity of DDF. DBRF Management is the responsible entity of DRO. DBRF Management will also become the responsible entity or investment and asset manager for a number of existing third party mandates.

The consideration for the 50% interest in DBRF Holdings will be up to \$70 million (comprising up to \$65 million for the business and \$5 million for working and regulatory capital). Of this amount, \$65 million will be applied to acquire stapled securities in DRT priced at the ten day volume weighted average price of the stapled securities immediately following a quotation on the Australian Stock Exchange ("ASX"). The stapled securities issued to Deutsche Bank will be escrowed for 12 months. The balance will be paid in cash. The remaining 50% of DBRF Holdings held by Deutsche Bank will be subject to put and call options. The future operations of DBRF Holdings will be governed by a Shareholders' Deed;

- the acquisition by DRT (through DIT and DDF) of an 80% interest in a US\$1.0 billion (\$1.5 billion) portfolio of 93 industrial properties in the United States (the "US Industrial Portfolio") from Calwest DBRIT LLC ("Calwest Sub"), a wholly owned subsidiary of Calwest Industrial Properties LLC ("Calwest"). Calwest is 98% owned by The California Public Employees' Retirement System ("CalPERS"), one of the largest investment institutions in the United States. The acquisition is to be structured as a joint venture between DRT (80%) and Calwest (20%) (the "US Joint Venture"). DRT's interest will be held equally by DIT and DDF through DB RREEF Industrial Properties Inc ("US REIT"). The US Joint Venture is to be funded with a debt of approximately 51%; and
- the participation of DRT (through DDF) in a potential equity raising by Deutsche Wholesale Property Fund ("DWPF") to partially fund the proposed acquisition of a \$312.5 million property portfolio. DRT will invest \$25 million in new DWPF units (approximately 1.8% of the enlarged fund) and may invest up to a further \$25 million depending on investor demand for the DWPF equity raising.

The elements of the Proposal are interdependent and subject to the approval of the unitholders. Unitholders of DOT, DIT and DDF will be asked to approve five resolutions:

- a special resolution to approve replacement of the existing constitutions of DOT, DIT and DDF with a new constitution based upon the DRO constitution. The objective of this resolution is to achieve standardisation of the constitutions across all of the trusts to facilitate the management and administration of DRT. This standardisation includes amendments to the management fee structure to adopt a flat management fee (of 0.45% of gross assets for Australian and New Zealand assets and 0.35% of the 80% interest in the US Joint Venture) and eliminate performance fees;
- an ordinary resolution to authorise the appointment of DBRF Management as responsible entity for DOT and DIT (in place of DeAM) and for DDF (in place of DBRE);
- a special resolution to approve the stapling of units of DOT, DIT, DDF and DRO and associated actions;
- an ordinary resolution seeking approval to enter into an agreement with Deutsche Bank pursuant to which Deutsche Bank is to underwrite the DRT distribution reinvestment plan for two years; and
- an ordinary resolution to allow Deutsche Bank to increase its relevant interest up to 35%.

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Each of the resolutions to be voted on by DOT, DIT and DDF unitholders are interdependent. Failure to approve any of these resolutions at any of the unitholder meetings will result in the Proposal not proceeding.

The following steps to effect the stapling of units in DOT, DIT, DDF and DRO will be implemented if the Proposal is approved:

- the number of DOT units and DIT units on issue will be adjusted by way of split or consolidation, which is determined based on a number of factors including the relative value and prospects of each of DOT, DIT and DDF. This adjustment has the effect that:
 - the 1,148.1 million issued units in DOT will be consolidated on the basis that each 1,000 DOT units will convert into approximately 932 DOT units, decreasing the number of issued units in DOT to 1,069.7 million;
 - the 338.6 million issued units in DIT will be split on the basis that each 1,000 DIT units will split into approximately 1,511 DIT units, increasing the number of issued units in DIT to 511.6 million; and
 - the number of issued units in DDF will remain at 1,002.5 million.

Where the split or consolidation of units results in a unitholder owning a fraction of a unit, the number of units held will be rounded to the nearest whole number of units; and

- each of DOT, DIT and DDF will make a special distribution by way of a capital return that will be applied on behalf of each unitholder to subscribe for newly issued units in each of the other three trusts (including DRO). DOT unitholders will receive a special distribution of \$0.362 per unit, DIT unitholders will receive a special distribution of \$0.402 per unit and DDF unitholders will receive a special distribution of \$0.362 per unit. The DOT special distribution will be applied on behalf of DOT unitholders to subscribe for DIT units at \$0.16 each, DDF units at \$0.20 each and DRO units at \$0.002 each. The DIT special distribution will be applied on behalf of DIT unitholders to subscribe for DOT units at \$0.20 each, DDF units at \$0.20 each and DRO units at \$0.002 each. The DDF special distribution will be applied on behalf of DDF unitholders to subscribe for DOT units at \$0.20 each, DIT units at \$0.16 each and DRO units at \$0.002 each.

This will result in the issue of the following units:

- DOT will issue an additional 1,514.1 million units, increasing the number of issued units in DOT from 1,069.7 million to 2,583.8 million;
- DIT will issue an additional 2,072.2 million units, increasing the number of issued units in DIT from 511.6 million to 2,583.8 million;
- DDF will issue an additional 1,581.3 million units, increasing the number of issued units in DDF from 1,002.5 million to 2,583.8 million; and
- DRO will issue 2,583.8 million units in total to DOT, DIT and DDF unitholders.

The units in each of the four trusts will be “stapled” to each other and will trade jointly on the ASX as a single security under the name DB RREEF Trust.

Unitholders will be able to elect to sell some or all of their existing units to Merrill Lynch Equities (Australia) Limited (“Merrill Lynch”) under a Cash Sale and Exchange Facility in return for either cash (the “cash alternative”) or stapled units (the “exchange by sale alternative”):

- under the cash alternative, Merrill Lynch will pay to the unitholder an amount calculated as the price of a stapled security as determined by the Cash Sale Facility process divided by the ratio in which the DOT, DIT and DDF units convert into stapled securities (the “Adjusted Sale Facility Price”); and
- under the exchange by sale alternative, Merrill Lynch will transfer to the unitholder the stapled securities the unitholder would have received had those securities participated in the Proposal.

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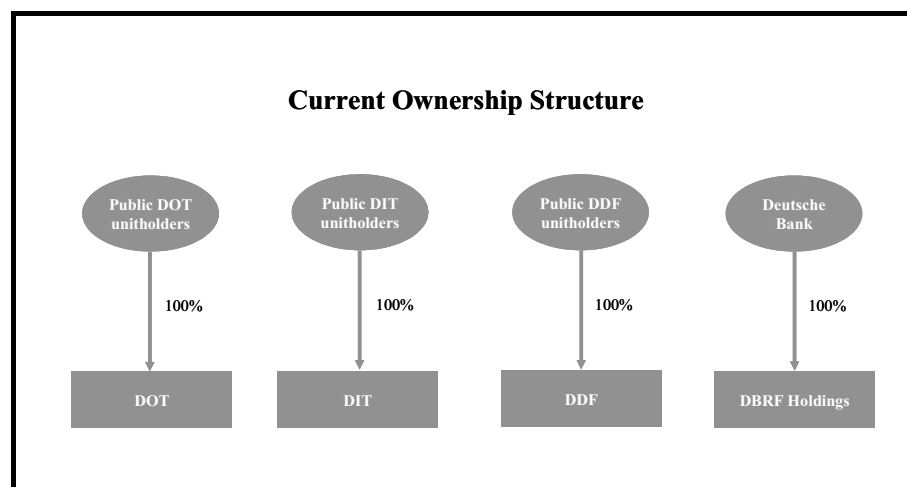


Merrill Lynch will become the holder of the units that unitholders have elected to sell through the Cash Sale Facility. It will become the owner of those stapled securities issued on implementation of the Proposal.

All of the stapled securities to be sold under the cash alternative will be pooled and made available for purchase in the market with the process to be co-ordinated by Merrill Lynch. Merrill Lynch will determine the price at which stapled securities are sold under the Cash Sale Facility. The Cash Sale Facility price will be determined with the object of achieving the best price reasonably obtainable for those unitholders receiving the cash alternative. The price at which stapled securities are sold under the Cash Sale Facility is not guaranteed and may not be the highest price at which all stapled securities available for sale under the Cash Sale Facility could be sold. No brokerage or other fees will be charged on a sale under the Cash Sale Facility.

Unitholders with registered foreign addresses other than those resident in New Zealand ("registered foreign unitholders") will not receive stapled securities. Registered foreign unitholders will be deemed to have elected to receive the cash alternative under the Cash Sale Facility.

The current ownership structure of DOT, DIT, DDF and DBRF Holdings is illustrated below:



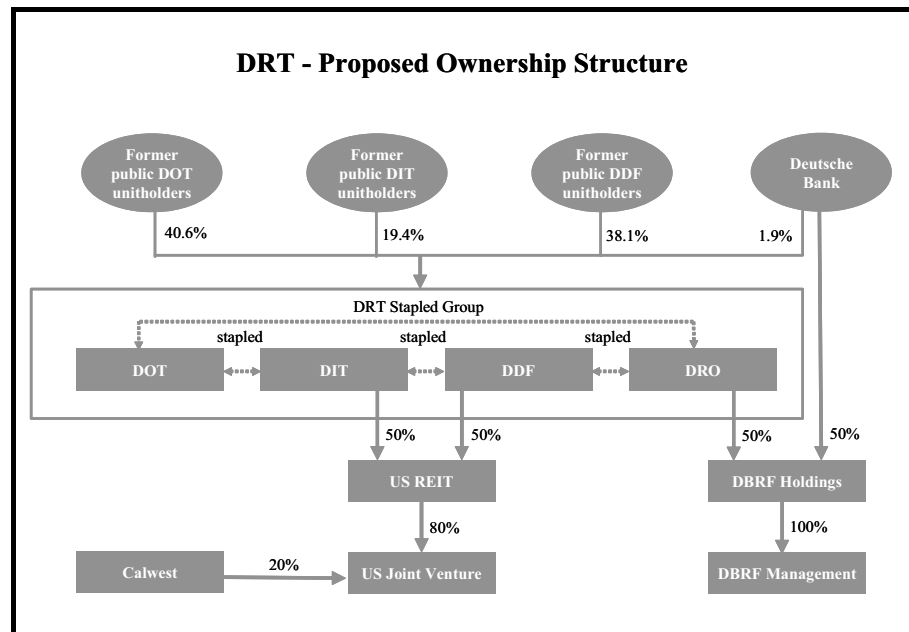
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If the Proposal is implemented, the ownership structure of DRT will be¹:



The terms of the Proposal have the effect that:

- for every 1,000 DOT units held before the stapling, DOT unitholders will hold approximately 932 stapled securities in DRT comprising 932 DOT units, 932 DIT units, 932 DDF units and 932 DRO units;
- for every 1,000 DIT units held before the stapling, DIT unitholders will hold approximately 1,511 stapled securities in DRT comprising 1,511 DOT units, 1,511 DIT units, 1,511 DDF units and 1,511 DRO units; and
- for every 1,000 DDF units held before the stapling, DDF unitholders will hold 1,000 stapled securities in DRT comprising 1,000 DOT units, 1,000 DIT units, 1,000 DDF units and 1,000 DRO units.

The following transactions were also announced on 4 August 2004 but will occur irrespective of the unitholder vote on the Proposal:

- DBRE or its nominee will acquire 50% interests in Westfield Mount Druitt and Westfield Hurstville from SAS Trustee Corporation ("STC");
- DDF will enter into a series of retail property transactions with Westfield Group ("Westfield") involving the acquisition of a 50% interest in Westfield North Lakes and the disposal of 50% interests in its retail properties Whitford City, West Lakes and Plenty Valley;
- DOT will acquire (on completion) 100% of the development known as NRM Tower, Auckland from Manson Developments Limited; and
- one of the DRT entities will acquire 100% of 16-20 Barrack Street, Sydney from STC.

¹ Ownership percentages in DRT are estimates only as the units issued to Deutsche Bank in consideration of the 50% interest in DBRF Holdings will be priced on the ten day volume weighted average price of DRT stapled securities post implementation of the Proposal. The estimate of ownership percentages is based on a theoretical security price of \$1.30 calculated by reference to DRT's forecast distribution of 10.5 cents per unit for the year ending 30 June 2005 and a yield of 8%.

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2 Scope of the Report

2.1 Purpose of the Report

The Proposal is subject to the approval of DOT, DIT and DDF unitholders. Five interdependent resolutions are required to be approved by unitholders at each of the unitholder meetings in order for the Proposal to be implemented. Three of the five resolutions to be put to unitholders are ordinary resolutions and will be passed if more than 50% of the votes cast are cast in favour of the resolutions. The other two resolutions are special resolutions and will be passed if at least 75% of the votes cast are cast in favour of the resolutions. The Proposal will not proceed unless each of the resolutions at each of the three unitholder meetings has been passed.

There is no statutory requirement for DeAM or DBRE to obtain any form of independent report in relation to the Proposal. However, DeAM and DBRE have decided that an independent expert's report be prepared for DOT, DIT and DDF unitholders for prudential purposes.

DeAM and DBRE have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in Grant Samuel's opinion:

- the Proposal is in the best interests of DOT unitholders as a whole;
- the Proposal is in the best interests of DIT unitholders as a whole; and
- the Proposal is in the best interests of DDF unitholders as a whole,

and to state reasons for those opinions.

Grant Samuel has also been requested to state its opinion as to whether or not the potential increase in Deutsche Bank's relevant interest to a maximum of 35% is fair and reasonable to the unitholders of DOT, DIT and DDF not associated with Deutsche Bank (the "non associated unitholders").

This report has been prepared by Grant Samuel to assist DeAM and DBRE in making their recommendation to unitholders in relation to the Proposal and to assist the unitholders of DOT, DIT and DDF to assess the merits of the Proposal. The sole purpose of this report is an expression of Grant Samuel's opinion as to whether the Proposal is in the best interests of DOT, DIT and DDF unitholders and whether or not the potential increase in Deutsche Bank's relevant interest to a maximum of 35% is fair and reasonable to the non associated unitholders. A copy of this report is to be despatched to DOT, DIT and DDF unitholders with the Explanatory Memorandum and Product Disclosure Statement ("Explanatory Memorandum") issued by DeAM, DBRE and DBRF Management.

This report contains general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of unitholders in DOT, DIT and DDF. Because of that, before acting in relation to their investment, unitholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Unitholders should read the Explanatory Memorandum issued by DeAM, DBRE and DBRF Management in relation to the Proposal.

Approval or rejection of the Proposal is a matter for individual unitholders based on their expectations as to value and future market conditions and their particular circumstances including risk profile, liquidity preference, portfolio strategy and tax position. Unitholders who are in doubt as to the action they should take in relation to the Proposal should consult their own professional adviser.

2.2 Basis of Evaluation

Part 3 of Schedule 8 to the Corporations Regulations prescribes the information to be sent to securityholders in relation to schemes of arrangement pursuant to Section 411 of the Corporations Act, 2001 ("Corporations Act"). It requires that, in certain circumstances, an explanatory

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statement to securityholders must be accompanied by an independent expert's report stating whether the proposed scheme is in the best interests of the securityholders.

There is no legal definition of the expression "in the best interests". The Australian Securities Commission (now the Australian Securities and Investments Commission ("ASIC")) issued Policy Statement 75 which established certain guidelines in respect of independent expert's reports prepared for the purposes of Sections 411, 640 and 703 of the Corporations Act. Policy Statement 75 is primarily directed towards reports prepared for the purpose of Section 640 and comments on the meaning of "fair and reasonable" in the context of a takeover offer. The statement gives limited guidance as to the regulatory interpretation or meaning of "in the best interests" other than to imply that it is similar to "fair and reasonable".

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, "in the best interests" must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgement on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the proposal and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposal and form an overall view as to whether the securityholders are likely to be better off if the proposal is implemented than if it is not. "Fair and reasonable" in the context of Section 611 of the Corporations Act would have a similar interpretation.

In Grant Samuel's opinion, the most appropriate basis on which to evaluate the Proposal is to assess the overall impact on the unitholders of DOT, DIT and DDF and to form a judgement as to whether the expected benefits outweigh any disadvantages and risks that might result.

In forming its opinion as to whether the Proposal is in the best interests of DOT, DIT and DDF unitholders and whether or not the potential increase in Deutsche Bank's relevant interest to a maximum of 35% is fair and reasonable to the non associated unitholders, Grant Samuel has considered the following:

- the proportion of DRT received by each group of unitholders compared to their relative contributions of market value;
- the proportion of DRT received by each group of unitholders compared to their relative contributions of underlying value;
- the price paid by DRO for 50% of DBRF Holdings and the implications for DRT of partial internalisation of management;
- the basis for DRT's acquisition of a 80% interest in the US Industrial Portfolio;
- the basis for DRT's investment in DWPF;
- the likely market for stapled securities in DRT;
- the existing legal and control structure of DOT, DIT and DDF;
- the likelihood of alternative transactions which could realise better value;
- any other advantages and benefits arising from the Proposal;
- the costs, disadvantages and risks of the Proposal; and
- the impact of the potential increase in Deutsche Bank's relevant interest on the effective control of DRT.

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2.3 Sources of Information

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

Publicly Available Information

- the Explanatory Memorandum and Product Disclosure Statement, Overviews for each DOT, DIT and DDF and Notices of Meetings relating to the Proposal (including earlier non public drafts);
- annual reports of DOT, DIT and DDF for the five years ended 30 June 2004;
- half yearly announcement of DOT, DIT and DDF for the six months ended 31 December 2003;
- press releases, public announcements, media and analyst presentation material and other public filings by DOT, DIT and DDF including information available on DB Real Estate Australia's website in respect of each entity;
- brokers' reports and recent press articles on DOT, DIT and DDF and the Australian property trust sector; and
- sharemarket data and related information on Australian listed entities engaged in the property trust sector and on transactions in that sector.

Non Public Information provided by DeAM and DBRE

- preliminary final results for DOT, DIT and DDF for the year ended 30 June 2004;
- management forecasts and supporting schedules for DOT, DIT, DDF, DRO, DBRF Management and DRT for the two years ending 30 June 2006;
- independent valuations of the properties owned by DOT, DIT and DDF;
- summary of the independent valuation of the US Industrial Portfolio by CB Richard Ellis;
- copies of draft reports prepared by PricewaterhouseCoopers Securities Ltd ("PwC Securities") in relation to the review of the historical financial performance for DOT, DIT and DDF for the year ended 30 June 2004, the pro forma financial position at 30 June 2004 for DOT, DIT, DDF and DRT and the forecast financial information for DOT, DIT, DDF and DRT for the two years ending 30 June 2006; and
- other confidential documents, board papers, presentations and working papers.

Grant Samuel has also held discussions with, and obtained information from, senior management of DOT, DIT, DDF, DeAM and DBRE and their advisers. In addition, Grant Samuel has held a discussion with senior management of RREEF America.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances. However, Grant Samuel has no obligation or undertaking to advise any person of any change in circumstances which has come to its attention after the date of this report or to review, revise or update its report or opinion.

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This report is also based upon financial and other information provided by DOT, DIT, DDF, DeAM and DBRE and their advisers. Grant Samuel has considered and relied upon this information. DeAM and DBRE have represented in writing to Grant Samuel that to their knowledge the information provided by them was complete and not incorrect or misleading in any material aspect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary and appropriate for the purposes of forming an opinion as to whether the Proposal is in the best interests of DOT, DIT and DDF unitholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. "Due diligence" on each of the other entities is the responsibility of DeAM and DBRE and their management and directors and is beyond the scope of an independent expert. Grant Samuel has assumed the respective directors have satisfied themselves in relation to due diligence matters. In any event, an opinion of the kind expressed in this report is more in the nature of an overall review reflecting commercial judgements rather than a detailed audit, verification or investigation.

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

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

The information provided to Grant Samuel included:

- the historical financial performance for DOT, DIT and DDF for the year ended 30 June 2004 (collectively the "Stand Alone Historicals") and the pro forma financial position for DOT, DIT, DDF and DRT as at 30 June 2004 ("the DRT Pro Forma Historicals"); and
- forecast financial performance for DOT, DIT and DDF for the two years ending 30 June 2006 (collectively the "Stand Alone Forecasts") and the pro forma forecast financial performance and cash flow statement of DRT for the two years ending 30 June 2006 ("the DRT Forecasts").

DeAM and DBRE are responsible for the Stand Alone Historicals, DRT Pro Forma Historicals, the Stand Alone Forecasts and the DRT Forecasts. This financial information has been reviewed by PwC Securities and its Independent Accountant's Report is set out in Section 12.4 of the Explanatory Memorandum.

Grant Samuel has used and relied on this financial information for the purposes of its analysis. Grant Samuel has not investigated this financial information in terms of the reasonableness of the underlying assumptions, accuracy of compilation or application of assumptions. However, this financial information has been subject to a comprehensive review by PwC Securities (a copy of which was made available to Grant Samuel). These reviews were unqualified. On this basis, Grant Samuel considers that there are reasonable grounds to believe that the financial information has been prepared on a reasonable basis.

However, the achievability of the Stand Alone Forecasts or the DRT Forecasts is not warranted or guaranteed by Grant Samuel. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

Grant Samuel has not undertaken any valuations of the properties owned by DOT, DIT and DDF or the properties to be acquired under the Proposal and, for the purposes of this report, has relied

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on the independent property valuations commissioned by DeAM and DBRE for those properties in determining the underlying net asset value of investments in property assets. However, those valuations were reviewed by Grant Samuel Property Pty Limited ("Grant Samuel Property").

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

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;
- the information set out in the Explanatory Memorandum and accompanying documents sent by DeAM, DBRE and DBRF Management to DOT, DIT and DDF unitholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Proposal will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Proposal are correct and will be effective.

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

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3 Profile of Deutsche Office Trust

3.1 Background

Deutsche Office Trust ("DOT") is an Australian listed office property trust with a market capitalisation prior to the announcement of the Proposal of approximately \$1.5 billion. DOT invests in premium A and B grade office properties and has interests in a portfolio of 17 properties in Sydney, North Sydney, Chatswood, Melbourne, Canberra and Perth. The responsible entity and manager of DOT is DeAM.

DOT was listed on the ASX in December 1998 as Commercial Investment Trust ("CIT"). The initial public offering was for 717.2 million units of \$1.20 each (a total of \$860 million), paid to \$0.90 on application with a final instalment of \$0.30 payable in June 2000. The funds raised on application included \$322.7 million from STC for a 50% interest in the trust. The total amount raised on application (\$645.5 million) was used to acquire from STC interests in six office properties located in Sydney, North Sydney and Chatswood. The final instalment of \$215.2 million was raised in June 2000 and used to acquire a further interest in one of these properties from STC.

On 4 August 2000, CIT merged with Paladin Commercial Trust and the merged entity was renamed Deutsche Office Trust in December 2000. Following the merger, the portfolio grew to 11 properties with a total book value of \$1.9 billion.

DOT has since acquired 50% interests in four adjacent properties in the Sydney central business district (held for redevelopment) and has completed the \$250 million development of Woodside Plaza in Perth and the \$122 million development of 30 The Bond in Sydney. The book value of DOT's property portfolio as at 30 June 2004 was \$2.3 billion.

On 4 August 2004, DOT announced the proposed acquisition of the development known as NRM Tower, Auckland, New Zealand for NZ\$110.4 million upon its completion in May 2005.

3.2 Property Portfolio

DOT's portfolio consists of interests in 17 premium A and B grade office properties in six key office markets. The portfolio includes nine wholly-owned properties and eight held under joint venture or co-ownership agreements. A summary of the portfolio as at 30 June 2004 is set out below:

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DOT – Property Portfolio as at 30 June 2004					
Property/Location	Date of Acquisition	Ownership Interest	Net Lettable Area (000m ²)	Book Value of Interest (\$ million)	Portfolio Composition (%)
Governor Philip Tower and Governor Macquarie Tower Complex 1 Farrer Place, Sydney NSW	Dec 1998	50%	86.7	485.6	20.8%
Southgate Complex 3 Southgate Avenue, Southgate VIC	Aug 2000	100%	76.5	317.7	13.6%
Woodside Plaza 240 St Georges Terrace, Perth WA	Jan 2001	100%	47.1	252.5	10.8%
The Zenith Centre 821-843 Pacific Highway, Chatswood NSW	Dec 1998	100%	44.4	216.0	9.3%
Australia Square 264 George Street, Sydney NSW	Aug 2000	50%	52.3	178.4	7.7%
45 Clarence Street, Sydney NSW	Dec 1998	100%	32.6	162.9	7.0%
One Margaret Street, Sydney NSW	Dec 1998	100%	20.9	131.8	5.7%
Lumley House and Ernst & Young Building 309-321 Kent Street, Sydney NSW	Dec 1998	50%	47.3	129.2	5.6%
30 The Bond 30-34 Hickson Road, Sydney NSW	May 2002	100%	19.7	122.0	5.2%
201 Elizabeth Street, Sydney NSW	Aug 2000	50%	38.8	112.8	4.8%
Victoria Cross 60 Miller Street, North Sydney NSW	Dec 1998	100%	14.8	90.1	3.9%
O'Connell House 15-19 Bent Street, Sydney NSW	Aug 2000	100%	10.0	47.3	2.0%
Garema Court 140-180 City Walk, Civic ACT	Aug 2000	100%	11.4	44.7	1.9%
1 Bligh Street, Sydney NSW	Dec 2003	50%	4.4	16.0	0.7%
4 O'Connell Street, Sydney NSW	Sep 2001	50%	6.4	11.7	0.5%
2 O'Connell Street, Sydney NSW	Sep 2001	50%	3.9	7.3	0.3%
9-13 Bligh Street, Sydney NSW	Sep 2001	50%	3.1	5.2	0.2%
Total Property Portfolio			520.3	2,331.2	100.0%

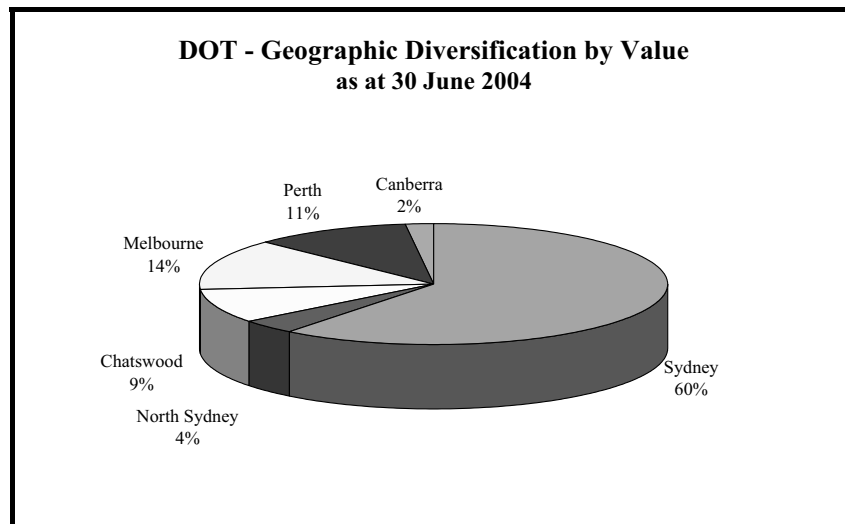
Source: DOT

DOT's portfolio is relatively concentrated both geographically and by value. The five largest properties account for 62% of the portfolio value with the largest single property, its 50% interest in Governor Macquarie Tower and Governor Philip Tower, accounting for 20.8% of total portfolio value. The portfolio is strongly weighted toward New South Wales (73.6% of total portfolio value) and, in particular, the Sydney central business district (60.5% of total portfolio value). As a consequence, DOT is exposed to the underlying office leasing fundamentals of the Sydney market. This geographic concentration is apparent in the following chart:

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Source: DOT

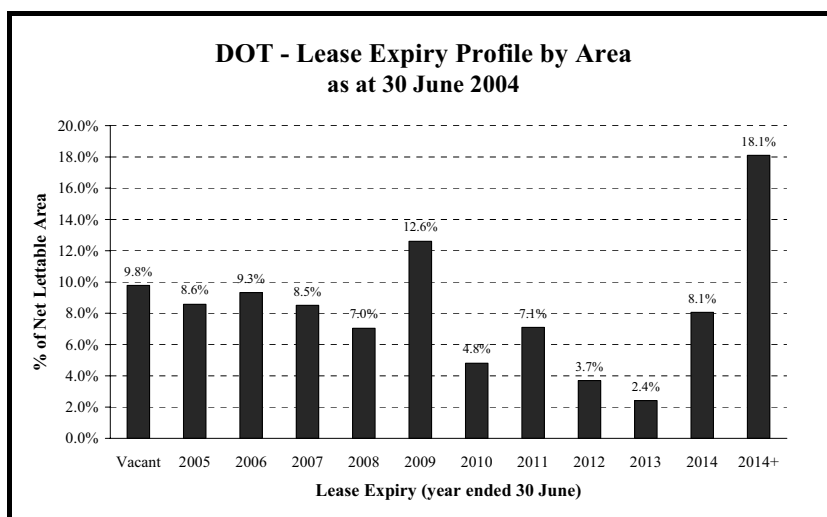
DOT's rental income stream is secured by medium to long-term leases to Australian and international tenants. The tenants operate in a number of industry groups including IT services, finance and banking, accounting and government. At 30 June 2004, DOT's top five tenants occupied 34% of net lettable area and contributed 32% of net income.

In recent years, DOT has maintained occupancy rates between 95-99% across the total portfolio. However, the occupancy rate has decreased to around 90% at 30 June 2004 due to the expiry of several key leases during 2004 and weakness in the office sector. Expiries have included 71% of the net lettable area at 45 Clarence Street, Sydney (KPMG tenancy) in February 2004 and 49% of the net lettable area at Australia Square, Sydney (Lend Lease tenancy) relating to various dates between January 2004 and September 2006. In addition, 63% of the net lettable area at 309-321 Kent Street, Sydney will be vacated by Ernst & Young upon expiry of its lease in October 2005. The average lease duration of the DOT portfolio is 5.8 years. DOT's lease expiry profile as a percentage of net lettable area is shown below:

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Source: DOT

Recent leasing progress, announced to the market in August 2004, has reduced the portfolio vacancy ratio to around 9% and maintained the average lease duration at 5.8 years. DOT has undertaken development activity to enhance its portfolio. In the year ended 30 June 2004, DOT completed its Woodside Plaza and 30 The Bond developments. Additionally, four adjacent properties in O'Connell Street and Bligh Street, Sydney are held for future redevelopment. Other properties are redeveloped and refurbished on a regular basis. The \$12 million refurbishment of Australia Square, Sydney by the joint owners was completed in May 2004 and the \$28 million refurbishment of 1 Margaret Street, Sydney was completed in July 2002.

Since listing, DOT has not sold any of its property interests. However, during 2003 45 Clarence Street, Sydney was listed for sale due to the pending expiry of the key lease to KPMG. In November 2003, this property was withdrawn from sale and DOT announced that it would retain the building, invest in minor refurbishment and attempt to re-lease the office space to be vacated by KPMG.

DOT has its properties independently valued on a three year rolling basis and at other times as necessary. In the year ended 30 June 2004 ten properties were revalued resulting in a net increase in portfolio value of approximately \$1 million.

On 4 August 2004, DOT announced the acquisition of the development known as NRM Tower in Auckland, New Zealand upon completion in May 2005 for NZ\$110.4 million. This acquisition will represent 4% of the enlarged property portfolio and will reduce DOT's geographic concentration on Sydney.

3.3 Responsible Entity Fees

Under DOT's constitution, DeAM, as responsible entity, is entitled to receive fees for the provision of management services.

Total fees are capped at 0.55% of gross assets per annum under DOT's constitution. Until October 2003, the responsible entity was paid a base management fee of 0.50% of gross assets per annum. The fee structure was amended effective 1 October 2003 and is currently comprised of:

- a base fee calculated as 0.45% of gross assets per annum up to \$2.1 billion and 0.40% of gross assets per annum over \$2.1 billion which is calculated and payable monthly; and
- a performance fee calculated as 5% of the outperformance up to 2% over the S&P/ASX 200 Property Trust Accumulation Index and 15% of the outperformance greater than 2% over the

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S&P/ASX 200 Property Trust Accumulation Index. The performance fee is calculated and payable six monthly and any underperformance or overperformance above the total fee cap is carried forward to offset against future period performance fee entitlements. DeAM can elect to have the performance fee paid by way of units in DOT rather than cash.

DeAM also receives fees for property management services for certain properties.

3.4 Earnings and Distributions

The historical financial performance of DOT for the five years ended 30 June 2004 and the Directors' forecasts of financial performance for the two years ending 30 June 2006 are summarised below:

DOT – Financial Performance (\$ millions)							
	Year ended 30 June					Year ending 30 June ²	
	2000 actual	2001 actual	2002 actual	2003 actual	2004 actual	2005 forecast	2006 forecast
Gross rental income	87.2	178.1	194.9	190.5	202.8		
Property outgoings	(18.5)	(40.9)	(43.1)	(47.5)	(53.7)		
Net property income	68.7	137.2	151.8	143.0	149.1		
Share of associates net profit after tax	-	-	1.6	1.8	2.2		
Net income	68.7	137.2	153.4	144.8	151.3	164	186
Responsible entity fees	(5.2)	(9.1)	(9.7)	(10.1)	(10.2)	(11)	(12)
Other expenses	(0.5)	(1.2)	(1.4)	(1.1)	(1.1)	(10) ³	(1)
Net borrowing costs	(14.7)	(26.9)	(29.6)	(31.1)	(40.6)	(56)	(70)
Total expenses	(20.4)	(37.2)	(40.7)	(42.3)	(51.9)	(77)	(83)
Net profit attributable to unitholders	48.3	100.0	112.7	102.5	99.4	87	103
Transfer (to)/from reserves	-	1.0	2.3	2.8	2.1	11	-
Movement in undistributed income	(3.0)	(4.1)	(4.6)	7.8	1.8	3	-
Distributable income	45.3	96.9	110.4	113.1	103.3	101	103
Statistics							
Earnings per unit (cents)	6.74	9.43	9.82	8.93	8.66	7.6 ⁴	9.0
Distribution per unit (cents)	7.22	9.82	10.00	10.00	9.00	8.8	9.0
Distribution payout ratio	94%	97%	98%	110%	104%	116%	100%
Tax free amount of distribution (cents) ⁵	1.50	1.69	-	-	-	-	-
Tax deferred amount of distribution (cents) ⁶	1.44	2.37	4.24	5.88	5.84	6.2	4.7
Tax advantaged component of distribution	40.7%	41.3%	42.4%	58.8%	64.9%	71%	52%
Distribution yield (as at 30 June)	5.6% ⁷	7.3%	7.7%	8.9%	7.8%	na ⁸	na
Management expense ratio ⁹	0.65%	0.66%	0.51%	0.53%	0.48%	na	na

Source: DOT, Explanatory Memorandum

As vendor of the properties acquired by DOT on 15 December 1998, STC entered into a distributable income support agreement until 31 December 2002. The agreement required, in certain circumstances, STC to make payments to DOT in order to ensure that the amount available for distribution to unitholders other than STC did not fall below certain agreed minimum amounts.

² Disclosure is on the same basis as the Explanatory Memorandum.

³ Includes \$9 million in transaction cost incurred if the Proposal does not proceed.

⁴ Calculated after \$9 million in transaction costs incurred if the Proposal does not proceed. Excluding transaction costs, asset sales and property revaluations (if applicable) earnings per unit is forecast to be 8.3 cents.

⁵ The tax free amount of the distribution is not included in a unitholder's assessable income. From 1 July 2001, tax free distributions arising as a consequence of building allowance deductions are treated as tax deferred.

⁶ The tax deferred amount of the distribution is not included in a unitholder's assessable income.

⁷ Distribution yield equates to 7.2% adjusted for final instalment paid on 12 June 2000.

⁸ na = not available

⁹ Management expense ratio is management expenses (including manager's fees, auditor's remuneration and legal and professional fees) divided by monthly average total assets.

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Income support payments, primarily from STC, totalled \$6.0 million in 2001, \$14.5 million in 2002 and \$4.8 million in 2003.

Net property income doubled from 2000 to 2001 following the merger with Paladin Commercial Trust in August 2000 and continued strong underlying performance of the portfolio. The rise in the portfolio vacancy rate from 3% to 5% and contracting demand for office space in central business district office markets contributed to a fall in net property income for the year ended 30 June 2003. The increase in net property income in the year ended 30 June 2004 is primarily due to the completion of the Woodside Plaza development in December 2003.

Net income includes DOT's 50% share of net profits from four equity accounted joint venture property trusts. These trusts hold the four Sydney properties held for redevelopment.

Total responsible entity fees have increased over the four year period ended 30 June 2004 in line with the growth in assets. For the nine months to 30 June 2004, during which the new fee arrangements operated, DeAM did not earn a performance fee from DOT.

Net borrowing costs have increased in line with total borrowings during the period ended 30 June 2004. DOT utilises swap agreements to hedge its interest rate risk on borrowings.

Under current tax legislation, DOT is not liable for Australian income tax (including capital gains tax) provided that it distributes all of its taxable income to unitholders.

DOT maintains a distribution payout ratio of 100% of assessable income (after certain adjustments) with distributions paid six monthly. Net profit declined in recent years due to increased portfolio vacancies, an increase in property expenses and the conclusion of previous income support arrangements. For the year ended 30 June 2003, the distribution per unit was held constant at 10.0 cents per unit. However, a lower distribution of 9.0 cents per unit has been paid in respect of the year ended 30 June 2004.

Commentary on the assumptions underlying the Director's forecast of performance for the two years ending 30 June 2006 is set out in Sections 9.2 and 9.3 of the Explanatory Memorandum.

3.5 Financial Position

The financial position of DOT as at 30 June 2004 is summarised below:

DOT – Financial Position (\$ millions)	
	As at 30 June 2004 actual
Cash	5.1
Receivables and prepayments	8.3
Investment in properties	2,291.0
Investment in joint ventures (equity accounted)	40.2
Other assets	18.4
Total assets	2,363.0
Payables	(19.2)
Distribution payable	(52.8)
Borrowings	(889.5)
Other liabilities	(0.7)
Total liabilities	(962.2)
Total unitholders' funds	1,400.8
<i>Statistics</i>	
Net borrowings	884.4
NTA ¹⁰ per unit	\$1.22
Gearing (net borrowings/total assets less cash)	37.5%

Source: DOT

¹⁰ NTA is net tangible assets.

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As at 30 June 2004, DOT's investment in property assets (including joint ventures) totalled \$2.3 billion.

Included in other assets and receivables are capitalised lease incentives of \$13.0 million and capitalised leasing fees of \$4.6 million. Other liabilities primarily consist of rent received in advance.

Distribution payable of \$52.8 million represents the distribution of 4.60 cents per unit in respect of the six months ended 30 June 2004.

At 30 June 2004, DOT had borrowings of \$889.5 million. Since 31 December 2003 DOT has completed a major debt restructuring. At 30 June 2004, DOT had total secured debt facilities of \$953 million. These facilities comprise \$500 million five year commercial mortgage backed securities secured by nine of DOT's property interests and \$453 million asset backed commercial paper facilities drawn to \$390 million. At 31 July 2004, fixed interest rate hedging covered 81% of total drawn debt with an average hedge duration of 3.5 years. DOT's target hedging range is between 70-90% of total borrowings. As at 31 July 2004, the interest rate hedge book included an unrealised gain of approximately \$9.1 million.

3.6 Capital Structure and Ownership

DOT has 1,148,052,162 ordinary units on issue.

The top ten unitholders in DOT account for approximately 76.1% of the ordinary units on issue and are predominantly institutional nominee companies. DOT's only substantial unitholder is STC with 361,919,041¹¹ units representing 31.5% of total units on issue.

3.7 Unit Price History

A summary of the price and trading of DOT units since 1 January 2000 is set out below:

DOT – Unit Price History					
Period	Unit Price (\$)			Average Weekly Volume (000's)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2000 ¹²	1.41	1.14	1.33	4,912	111
2001	1.44	1.21	1.33	10,062	268
2002	1.38	1.14	1.19	14,869	342
Quarter ended					
31 March 2003	1.24	1.05	1.15	16,861	420
30 June 2003	1.23	1.08	1.12	21,965	754
30 September 2003	1.14	1.07	1.11	18,560	434
31 December 2003	1.14	1.08	1.10	13,853	381
31 March 2004	1.18	1.08	1.17	13,055	396
Month ended					
30 April 2004	1.18	1.10	1.10	13,353	370
31 May 2004	1.24	1.10	1.20	15,690	461
30 June 2004	1.21	1.15	1.15	18,373	387
31 July 2004	1.28	1.15	1.27	14,987	476
to 13 August 2004	1.30	1.16	1.17	23,796	677

Source: IRESS

The following graph illustrates the movement in the DOT unit price and trading volumes since January 2000¹²:

¹¹ Total holding which includes 358,587,500 units (31.2%) in STC's direct unitholding managed by DeAM.

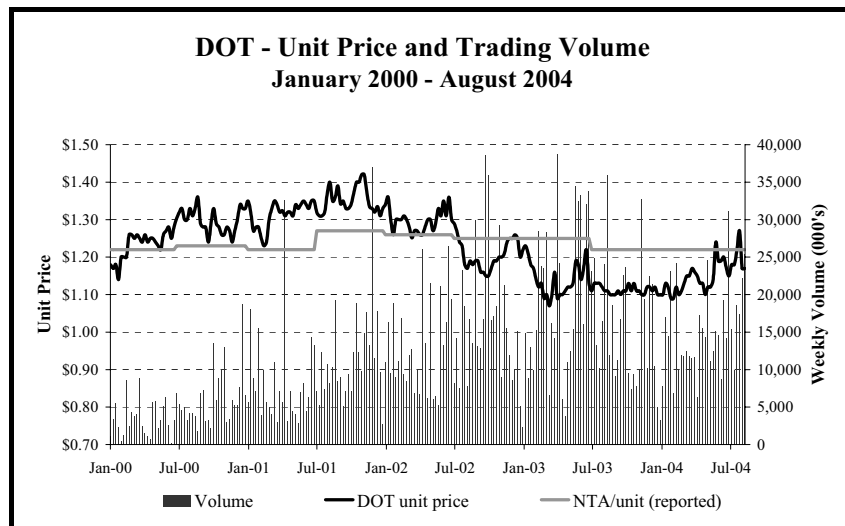
¹² Effective 12 June 2000, DOT units began trading on a fully paid basis (the units were issued at \$1.20 in the December 1998 initial public offering but were only paid to \$0.90 on application with the final instalment of \$0.30 paid by 26 June 2000). Unit prices prior to this date have been adjusted upward by \$0.30 to take account of the final instalment.

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Source: IRESS, DOT

Units in DOT have traded in the range of \$1.05 to \$1.44 over the period from 1 January 2000 to 3 August 2004 (the day prior to the announcement of the Proposal). The unit price typically dips in late June and late December each year around the ex-distribution date. The trading range over the last twelve months has been \$1.07 to \$1.30 although a narrower range of \$1.07 to \$1.14 was evident during the eight months from July 2003 to February 2004. From February 2004, the unit price trended slightly upward until media speculation regarding the Proposal on 21 July 2004 when the unit price rose 5 cents. From 21 July 2004 until announcement on 4 August 2004 units traded in the range \$1.21 to \$1.30. Since announcement of the Proposal, DOT's unit price has decreased to levels evident immediately prior to the media speculation, closing at \$1.17 on 13 August 2004.

Units in DOT are actively traded, with average weekly volumes over the year preceding the announcement of the Proposal representing 1.3% of total units on issue or 1.9% of units on issue excluding STC's 31.5% interest.

NTA has decreased from \$1.27 at 30 June 2001 to \$1.22 at 30 June 2004 largely as a result of decrements to the property revaluation reserve. DOT's units broadly traded at a premium to NTA until July 2002 and subsequently traded at a discount to NTA until media speculation of the Proposal. Since January 2000 the unit price has varied from NTA in a range of (12.3)% to 12.7% and on 3 August 2004 DOT was trading at a premium to NTA of 4.1%. The recent discount to NTA primarily reflects the market's view of DOT's lease expiry profile but also reflects that the listed office property trust sub-sector has, as a whole, traded at smaller premiums to NTA than either the retail or industrial sub-sectors in recent years.

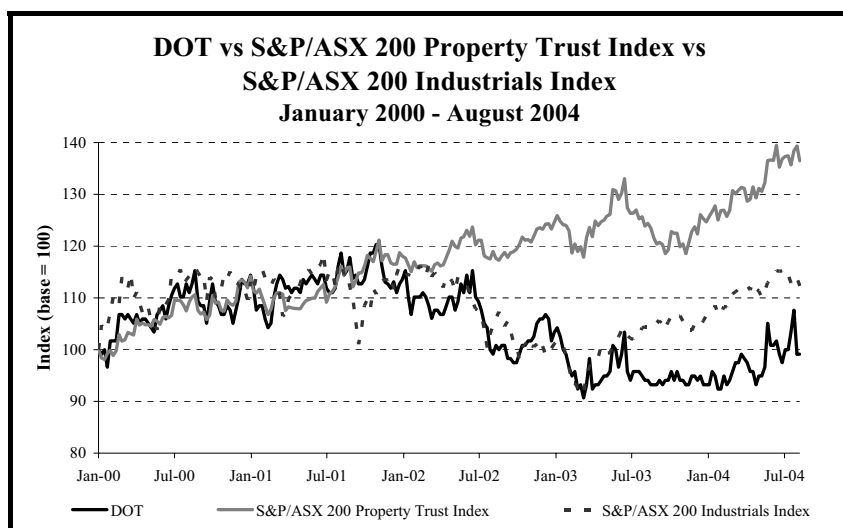
The performance of DOT units since 1 January 2000 relative to the S&P/ASX 200 Property Trust Index and the S&P/ASX 200 Industrials Index is illustrated in the following chart:

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Source: IRESS

DOT performed broadly in line with the S&P/ASX 200 Industrials Index from January 2000 until June 2003 and has underperformed the market in the last 12 months. DOT performed in line with the S&P/ASX 200 Property Trust Index until November 2001 but has substantially underperformed the overall property trust sector since that time. DOT only comprises 1.4 % of the S&P/ASX 200 Property Trust Index and its underperformance to the index is likely to reflect concerns regarding the large lease expiry in the 2004 financial year relative to its peers and the difficult environment for central business district office leasing as well as its lower growth profile relative to its larger peers.

DOT has generally underperformed the property sector and outperformed the broader market over periods up to four years based on a comparison of accumulation indices:

DOT – Comparison of Accumulation Indices						
	Accumulated Returns to 13 August 2004					
	one month	three months	six months	one year	three years (annual)	four years (annual)
DOT	(0.8)%	8.6%	8.6%	14.0%	1.9%	5.0%
S&P/ASX 200 Property Trust Index	(0.3)%	6.7%	12.0%	18.4%	13.4%	na
S&P/ASX 200 Industrials Index	(2.7)%	2.8%	6.7%	13.6%	4.1%	4.9%

Source: Bloomberg. Returns based on daily data except for three and four years which are based on weekly data.

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4 Profile of Deutsche Industrial Trust

4.1 Background

Deutsche Industrial Trust ("DIT") is an Australian listed property trust with a market capitalisation prior to the announcement of the Proposal of approximately \$0.7 billion. DIT owns 34 properties across Australia consisting of office parks, distribution centres, industrial estates and business parks. The responsible entity and manager of DIT is DeAM.

DIT was listed on the ASX in 1997 as Industrial Investment Trust ("IIT"). The initial public offering raised \$150 million (including \$75 million from STC for a 50% interest in the trust) which was used to acquire seven properties from STC. At 30 June 2000, IIT's portfolio had increased to 12 properties with a book value of \$293 million through the acquisition of six additional properties and the divestment of one of the seven properties acquired from STC.

In August 2000, IIT merged with Paladin Industrial Trust and the combined entity was renamed Deutsche Industrial Trust in December 2000. The merger combined the sixth and seventh largest listed industrial property trusts to create the third largest listed industrial property trust with a portfolio of 47 properties and a book value of \$533 million.

Since the merger, DIT's portfolio has grown in value although the number of properties has reduced following a strategy of non-core property divestments. The book value of DIT's property portfolio as at 30 June 2004 was \$909 million.

4.2 Property Portfolio

DIT's portfolio consists of 34 industrial assets across Australia. All properties are freehold and 100% owned by DIT. A summary of the portfolio as at 30 June 2004 is set out below:

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DIT – Property Portfolio as at 30 June 2004				
Property/Location	Date of Acquisition	Gross Lettable Area (000m ²)	Book Value (\$ millions)	Portfolio Composition (%)
New South Wales				
Macquarie Park (Office Park)	75% April 2002 25% June 2002	36.3	130.2	14.3%
Rosebery (Business Park) ¹³	Oct 2001	44.4	99.6	11.0%
Rydalmere (Industrial Estate)	Sep 1997	34.6	42.0	4.6%
Brookvale (Business Park)	Sep 1997	30.8	42.0	4.6%
Gladesville (Business Park)	Sep 1997	20.4	41.0	4.5%
Baulkham Hills (Business Park)	Dec 2002	13.4	40.9	4.5%
Silverwater (Business Park)	May 1997	29.3	39.5	4.4%
Auburn (Business Park)	Sep 1997	25.7	37.0	4.1%
Greystanes (Industrial Estate)	Dec 2002	30.6 ¹⁴	35.6	3.9%
Belrose (Office Park)	Dec 1998	14.3	28.8	3.2%
Flemington (Business Park)	Sep 1997	19.3	25.9	2.9%
Lane Cove (Business Park)	Sep 1997	17.4	25.6	2.8%
Belrose (Business Park)	Dec 1998	12.6	24.7	2.7%
Blacktown (Distribution Centres)	May 1997	14.7	14.5	1.6%
Mascot (Industrial Estate)	Jun 1997	8.2	13.7	1.5%
Smithfield (Industrial Estate)	Dec 1998	18.5	13.5	1.5%
Wetherill Park (Distribution Centre)	Jul 1998	13.8	12.7	1.4%
Arndell Park (Distribution Centre)	Jul 1998	9.8	11.1	1.2%
Blacktown (Distribution Centre)	Jun 1997	8.0	10.1	1.1%
Villawood (Distribution Centre)	Jun 1997	11.4	8.6	0.9%
Huntingwood (Distribution Centre)	Jul 1998	6.8	7.3	0.8%
Villawood (Distribution Centre)	Jul 1997	7.3	7.0	0.8%
Smithfield (Distribution Centre)	May 1997	5.2	5.7	0.6%
Total New South Wales		432.8	717.0	78.9%
Victoria				
Dandenong (Industrial Estate)	Jan 2004	74.2 ¹⁴	40.2	4.4%
Lara (Distribution Centre)	Dec 2002	117.3	33.7	3.7%
Laverton North (Industrial Estate)	Jul 2002	20.2 ¹⁴	23.7	2.6%
Clayton (Distribution Centre)	Jul 1997	18.2	10.8	1.2%
Kensington (Industrial Estate)	Oct 1998	6.4	7.3	0.8%
Total Victoria		236.3	115.7	12.7%
Western Australia				
Herdsmen (Business Park)	Jul 1998	4.7	8.0	0.9%
Welshpool (Distribution Centre) ¹⁵	Jul 1997	13.1	4.3	0.4%
Total Western Australia		17.8	12.3	1.3%
Queensland				
South Brisbane (Office Park)	Dec 1998	11.2	17.6	2.0%
Salisbury (Distribution Centre)	Jul 1997	24.8	14.7	1.6%
Acacia Ridge (Distribution Centre)	Jun 1997	17.8	11.9	1.3%
Total Queensland		53.8	44.2	4.9%
South Australia				
Gillman (Distribution Centre)	Dec 2002	72.1	19.8	2.2%
Total South Australia		72.1	19.8	2.2%
Total Portfolio		812.8	909.0	100.0%

Source: DIT

DIT's portfolio is relatively concentrated in terms of value with five properties accounting for approximately 39% of total portfolio value. The two largest properties, Macquarie Park Office Park and Rosebery Business Park, account for over 25% of total portfolio value.

¹³ The sale of 1.44 hectares of vacant land at this property for \$22.0 million was due to settle in July 2004. The sale has not been completed and legal proceedings have commenced.

¹⁴ Includes area under construction.

¹⁵ Subject to a sale contract with settlement expected in October 2004 for \$4.2 million.

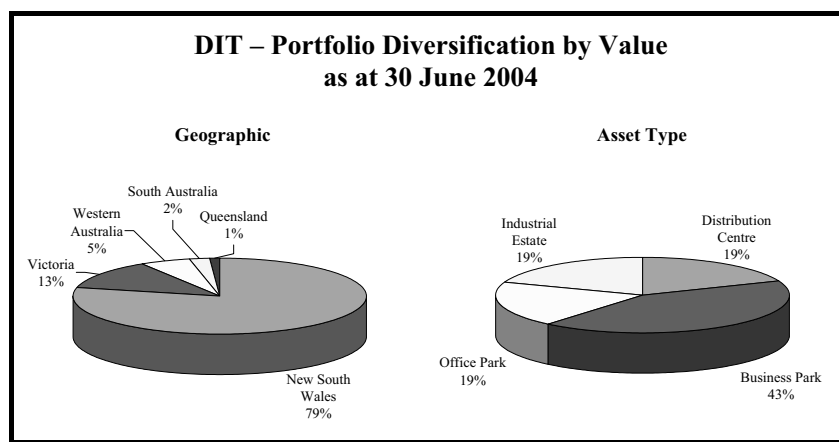
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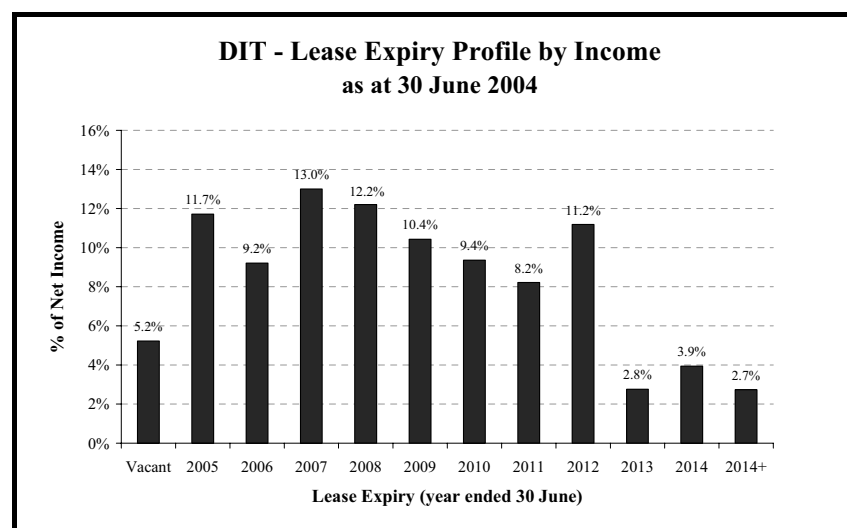


DIT's portfolio is concentrated in New South Wales (79%) but also has properties in Victoria, Western Australia, Queensland and South Australia. The portfolio is diversified by asset type, with 42% invested in business parks and the remainder of the portfolio split between office parks, distribution centres and industrial estates. The diversification of the portfolio is shown in the following chart:



Source: DIT

As at 30 June 2004, the portfolio was 95% leased (by net income) to in excess of 200 leases. The average lease duration (weighted by net income) of the DIT portfolio is 4.3 years. DIT's lease expiry profile as a percentage of net income is shown below:



Source: DIT

DIT undertakes development and re-development of properties to enhance the portfolio. Major in progress and planned developments include the \$300 million development of Laverton North Industrial Estate, Victoria, the continuation of the \$39 million development of the Greystanes Industrial Estate, New South Wales and the \$60 million development of the Baulkham Hills Business Park, New South Wales. In January 2004, DIT announced the acquisition of the

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Citisouth Industrial Park in Dandenong, Victoria for \$37.5 million which includes 9.5 hectares of land available for development.

DIT has its properties independently valued on a three year rolling basis and at other times as necessary. Valuations of 24 properties were undertaken during the year ended 30 June 2004 resulting in a net increase in portfolio value of approximately \$27.5 million.

4.3 Responsible Entity Fees

Under DIT's constitution, DeAM, as responsible entity, is entitled to receive fees for the provision of management services.

Total fees are capped at 0.75% of gross assets per annum up to \$400 million and 0.60% of gross assets per annum over \$400 million under DIT's constitution. Until October 2003, the responsible entity was paid a base management fee of 0.60% of gross assets per annum. The fee structure was amended effective 1 October 2003 and is currently comprised of:

- a base fee of 0.50% of gross assets per annum which is calculated and payable monthly; and
- a performance fee calculated as 5% of the outperformance up to 2% over the S&P/ASX 200 Property Trust Accumulation Index and 15% of the outperformance greater than 2% over the S&P/ASX 200 Property Trust Accumulation Index. The performance fee is calculated and payable six monthly and any underperformance or overperformance above the total fee cap is carried forward to offset against future period performance fee entitlements. DeAM can elect to have the performance fee paid by way of units in DIT rather than cash.

DeAM also receives fees for property management services for certain properties.

4.4 Earnings and Distributions

The historical financial performance of DIT for the five years ended 30 June 2004, and the Directors' forecasts of financial performance for the two years ending 30 June 2006 are summarised below:

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DIT - Financial Performance (\$ millions)							
	Year ended 30 June					Year ending 30 June ¹⁶	
	2000 actual	2001 actual	2002 actual	2003 actual	2004 actual	2005 forecast	2006 forecast
Gross rental income	34.2	58.6	66.0	81.4	87.7		
Property outgoings	(7.0)	(10.9)	(12.1)	(16.1)	(18.6)		
Net property income	27.2	47.7	53.9	65.3	69.1	77	80
Profit on sale of assets	0.2	0.5	0.3	1.6	(0.5)	3	-
Net income	27.4	48.2	54.2	66.9	68.6	80	80
Responsible entity fees	(2.1)	(3.2)	(3.5)	(4.5)	(5.0)	(5)	(5)
Other expenses	(0.2)	(0.5)	(0.6)	(0.8)	(1.2)	(4) ¹⁷	(1)
Net borrowing costs	(4.8)	(8.3)	(8.3)	(13.0)	(16.0)	(20)	(22)
Increment/(decrement) on revaluation	-	(7.6)	(6.4)	0.4	7.7	-	-
Total expenses	(7.1)	(19.6)	(18.8)	(17.9)	(14.5)	(29)	(28)
Profit before outside equity interests	20.3	28.6	35.4	49.0	54.1	51	52
Outside equity interests	-	-	(0.4) ¹⁸	-	-	-	-
Net profit attributable to unitholders	20.3	28.6	35.0	49.0	54.1	51	52
Transfer (to)/from reserves	0.7	7.6	6.4	-	-	1	1
Movement in undistributed income	-	(0.4)	-	0.1	(0.7)	1	-
Distributable income	21.0	35.8	41.4	49.1	53.4	53	53
Statistics							
Earnings per unit (cents)	14.02	11.86	12.96	15.27	16.02	15.0 ¹⁹	15.4
Distribution per unit (cents)	14.50	14.79	15.00	15.40	15.80	15.8	15.8
Distribution payout ratio	103%	125%	118%	100%	99%	104%	102%
Tax free amount of distribution (cents)	2.88	2.45	-	-	-	-	-
Tax deferred amount of distribution (cents)	3.35	3.02	6.42	9.15	8.29	7.7	6.2
Tax advantaged component of distribution	43.0%	37.0%	42.8%	59.4%	52.5%	49%	39%
Distribution yield (as at 30 June)	10.4%	10.5%	9.0%	8.8%	8.6%	na	na
Management expense ratio	1.04%	0.97%	0.66%	0.66%	0.63%	na	na

Source: DIT, Explanatory Memorandum

Net property income increased significantly from 2000 to 2001 following the merger with Paladin Industrial Trust in August 2000. Since 2001 net property income has grown substantially reflecting the impact of acquisitions, developments, improved leasing and tenant retention and the positive effects of rent reviews.

Total responsible entity fees have increased over the five year period ended 30 June 2004 in line with the growth in assets. For the nine months to 30 June 2004, during which the new fee arrangements operated, DIT paid a performance fee of \$0.4 million to DeAM.

Net borrowing costs have increased in line with total borrowings during the period ended 30 June 2004. DIT utilises swap agreements to hedge its interest rate risk on borrowings.

Under current tax legislation, DIT is not liable for Australian income tax (including capital gains tax) provided that it distributes all of its taxable income to unitholders.

DIT maintains a distribution payout ratio of 100% of net income (after certain adjustments) with distributions paid six monthly. Distributions per unit have grown consistently over the five years to 30 June 2004 although no growth in distribution is forecast for the two years ended 30 June 2006.

Commentary on the assumptions underlying the Directors' forecast of performance for the two years ending 30 June 2006 is set out in Sections 9.2 and 9.3 of the Explanatory Memorandum.

¹⁶ Disclosure is on the same basis as the Explanatory Memorandum.

¹⁷ Includes \$3 million in transaction costs incurred if the Proposal does not proceed.

¹⁸ Relates to the 25% interest in Foundation Macquarie Park Trust that was owned by third parties from 5 April 2002 when DIT purchased an initial 75% interest until 14 June 2002 when the remaining 25% was purchased.

¹⁹ Calculated after transaction costs of \$3 million if the Proposal does not proceed. Excluding transaction costs, asset sales and property revaluations (if applicable), earnings per unit are forecast to be 15.0 cents (i.e. the exclusions net out to zero).

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4.5 Financial Position

The financial position of DIT as at 30 June 2004 is summarised below:

DIT - Financial Position (\$millions)	
	As at 30 June 2004 actual
Cash	5.2
Receivables and payments	4.7
Investment in properties	909.0 ²⁰
Other assets	13.7
Total assets	932.6
Payables	(11.0)
Distributions payable	(27.1)
Borrowings	(339.5)
Other liabilities	(1.0)
Total liabilities	(378.6)
Total unitholders' funds	554.0
<i>Statistics</i>	
<i>Net borrowings</i>	<i>334.3</i>
<i>NTA per unit</i>	<i>\$1.64</i>
<i>Gearing (net borrowings/total assets less cash)</i>	<i>36.0%</i>

Source: DIT

As at 30 June 2004, DIT's investment in property assets totalled \$909.0 million. Other assets include capitalised incentives and leasing fees of \$11.8 million, tenant bonds and deferred borrowing costs of \$1.9 million. Other liabilities primarily consist of tenant bonds.

DIT has total secured debt facilities of \$360.9 million including \$260.9 million floating rate debt and \$100.0 million fixed rate debt. At 30 June 2004, these facilities were utilised to \$339.5 million (\$100.0 million of fixed rate debt and \$239.5 million of floating rate debt). At 31 July 2004 fixed interest rate hedging covered 75% of total drawn debt with an average hedge duration of 3.8 years. DIT's target hedging range is between 70-90% of total borrowings. As at 31 July 2004, the interest rate hedge book included an unrealised loss of approximately \$0.9 million.

4.6 Capital Structure and Ownership

DIT has 338,567,203 ordinary units on issue.²¹

The top ten unitholders in DIT hold 48.3% of the ordinary units on issue and are predominantly institutional nominee companies. DIT's only substantial unitholder is STC with 54,170,667 units representing 16.0% of total units on issue.

DIT has implemented a distribution reinvestment plan under which holders of units may elect to have up to \$800 of their distribution entitlements satisfied by the issue of new units priced at a 1% discount to the weighted average market price over the five days following the date that units are quoted ex-distribution (with a minimum price set at the net tangible asset backing of the units). On occasion the distribution reinvestment plan has been underwritten. In relation to DIT's distribution for the six months ended 30 June 2004, 336,644 units are to be issued at a price of \$1.80.

²⁰ Includes committed sales of \$23.1 million classified as current assets in the audited accounts.

²¹ After the issue of units under the distribution reinvestment plan on 13 August 2004.

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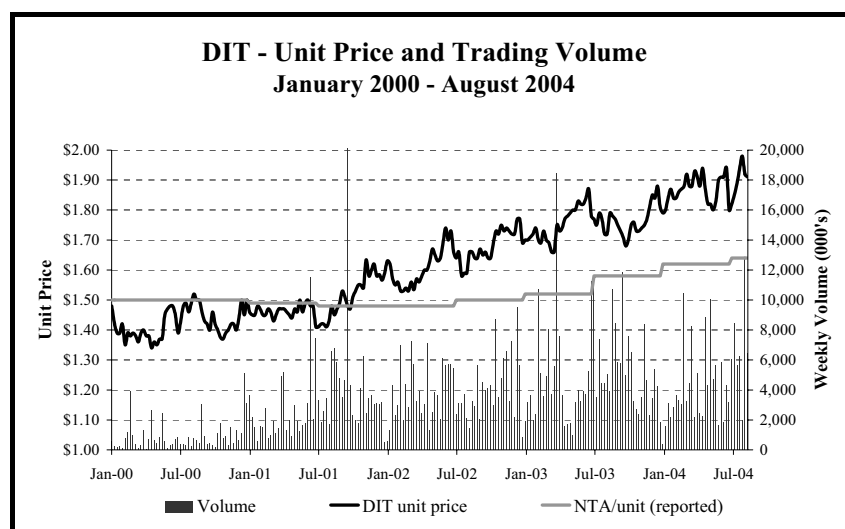
4.7 Unit Price History

A summary of the price and trading history of DIT units since 1 January 2000 is set out below:

DIT – Unit Price History					
Period	Unit Price (\$)			Average Weekly Volume (000s)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2000	1.55	1.30	1.50	925	42
2001	1.66	1.39	1.59	3,521	201
2002	1.80	1.51	1.69	4,046	263
Quarter ended					
31 March 2003	1.80	1.63	1.75	5,940	330
30 June 2003	1.89	1.69	1.76	3,717	278
30 September 2003	1.81	1.67	1.68	6,755	261
31 December 2003	1.90	1.66	1.79	4,078	226
31 March 2004	1.94	1.76	1.92	3,854	245
Month ended					
30 April 2004	1.96	1.81	1.82	4,794	301
31 May 2004	1.91	1.79	1.91	5,344	348
30 June 2004	1.96	1.80	1.83	3,710	278
31 July 2004	1.98	1.80	1.98	6,071	379
to 13 August 2004	2.05	1.90	1.91	9,562	457

Source: IRESS

The following graph illustrates the movement in the DIT unit price and trading volumes since January 2000:



Source: IRESS, DIT

Units in DIT have traded in the range of \$1.30 to \$1.99 over the period from 1 January 2000 to 3 August 2004 (the day prior to the announcement of the Proposal). The unit price typically dips in late June and late December each year around the ex-distribution date. The unit price has trended upward since July 2001 and in the last twelve months has traded in the range of \$1.66 to \$2.05. Following media speculation regarding the Proposal on 21 July 2004 the unit price rose 7 cents. From 21 July 2004 until announcement on 4 August 2004 units traded in the range \$1.91 to \$1.99. Since announcement of the Proposal, DIT's unit price initially rose and then decreased to levels slightly above those evident prior to the media speculation, closing at \$1.91 on 13 August 2004.

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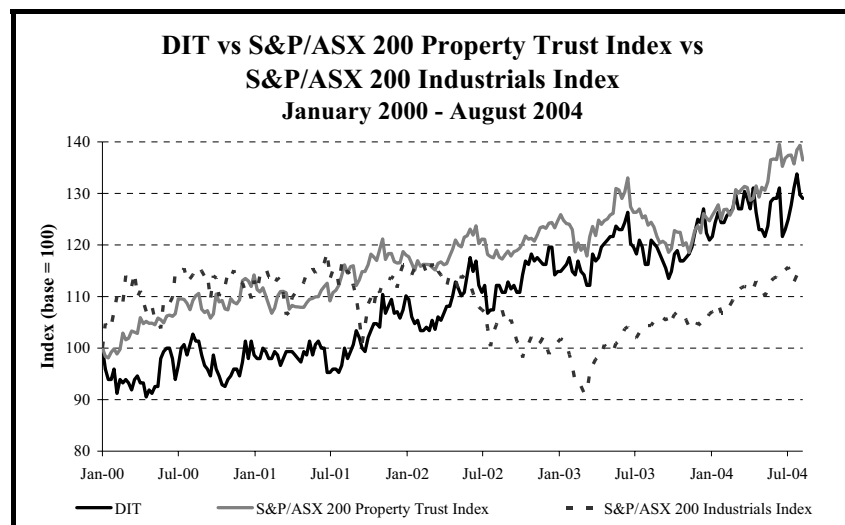
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Units in DIT are actively traded, with average weekly trading volumes over the year preceding the announcement of the Proposal representing approximately 1.4% of units on issue or 1.7% excluding STC's 16.0% interest. The large volume of units traded in September 2001 and March 2003 relate respectively to the acquisition of units by HSBC Asset Management (Australia) Limited and UBS Nominees Pty Limited ceasing to be a substantial unitholder.

NTA has increased from \$1.48 at 30 June 2001 to \$1.64 at 30 June 2004 largely as a result of increments to the property revaluation reserve. DIT units have traded at a premium to net tangible asset backing since late 2001 reflecting the improvement in the portfolio as a result of the sale of non-core properties, the acquisition of higher quality properties and the redevelopment of several properties. On 3 August 2004, DIT was trading at a premium to NTA of 19.5%, marginally higher than the trading premium of the industrial property sub-sector.

The performance of DIT units since 1 January 2000 relative to the S&P/ASX 200 Property Trust Index and the S&P/ASX 200 Industrials Index is illustrated in the following chart:



Source: IRESS

DIT generally underperformed the S&P/ASX 200 Property Trust Index and S&P/ASX 200 Industrials Index until June 2002. Since then DIT has outperformed the S&P/ASX 200 Industrials Index while broadly tracking the performance of S&P/ASX 200 Property Trust Index although it only comprises 0.8% of the S&P/ASX 200 Property Trust Index.

DIT has generally outperformed the property sector and the broader market over periods up to four years based on a comparison of accumulation indices:

DIT – Comparison of Accumulation Indices						
	Accumulated Returns to 13 August 2004					
	one month	three months	six months	one year	three years (annual)	four years (annual)
DIT	2.1%	10.1%	7.2%	18.1%	18.8%	15.9%
S&P/ASX 200 Property Trust Index	(0.3)%	6.7%	12.0%	18.4%	13.4%	na
S&P/ASX 200 Industrials Index	(2.7)%	2.8%	6.7%	13.6%	4.1%	4.9%

Source: Bloomberg. Returns based on daily data except for three and four years which are based on weekly data.

This pattern is consistent with other industrial property trusts which have all enjoyed relatively buoyant conditions over the past three years.

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5 Profile of Deutsche Diversified Trust

5.1 Background

Deutsche Diversified Trust (“DDF”) is an Australian listed property trust which invests in retail, office, industrial and car park buildings in Australia. Prior to the announcement of the Proposal, DDF had a market capitalisation of approximately \$1.4 billion and interests in a portfolio of 27 properties. The responsible entity and manager of the trust is DBRE.

DDF was listed on the ASX in 1984 as the National Mutual Property Trust and changed its name in March 2001 to AXA Australia Diversified Property Trust. In June 2001, AXA Asia Pacific Holdings Limited (“AXA”) sold its property funds management business to Deutsche Bank including the responsible entity for the trust. Following the acquisition the name of the trust was changed to Deutsche Diversified Trust. AXA retains a 24.8% interest in DDF.

Since listing, DDF has grown its property assets to \$1.7 billion and is a diversified trust by sector and geographic location. In July 2000, DDF completed the acquisition of three major properties for \$100 million from National Mutual Life Association of Australasia Limited (“NMLA”) (a wholly owned subsidiary of AXA). The acquired properties were 1 Chifley Square, Sydney for \$37.3 million, Edward Street, Brisbane for \$39.6 million and Frederick Street, St Leonards for \$23.2 million. DDF has also divested a number of non-core properties over time including the proposed divestment of interests in Carnarvon Street, Silverwater; Station Road, Seven Hills; and 1 Chifley Square, Sydney, all of which are expected to settle in the financial year ended 30 June 2005.

On 4 August 2004, DDF announced it had entered into sale and acquisition agreements over six retail properties that would result in ownership of a 50% interest in a \$1.5 billion regional retail portfolio co-owned with Westfield (see Section 5.2 of this report).

5.2 Property Portfolio

DDF’s portfolio currently consists of interests in 27 properties comprising 8 office properties, 4 retail properties, 10 industrial properties and 5 car parks located in Australia. All the properties are 100% owned and all (except two properties) are freehold. A summary of the portfolio as at 30 June 2004 is set out below:

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DDF – Property Portfolio as at 30 June 2004				
Property/Location	Date of Acquisition	Gross Lettable Area (000m ²)	Book Value (\$ million)	Portfolio Composition (%)
Office				
44 Market Street, Sydney NSW	Sep 1987	30.4	145.1	8.9%
383-395 Kent Street, Sydney NSW	Sep 1987	18.1	102.6	6.3%
8 Nicholson Street, East Melbourne VIC	Nov 1993	23.7	82.5	5.0%
1 Chifley Square, Sydney NSW ²²	Jul 2000	10.0	59.9	3.7%
Ferguson Centre, Parramatta NSW	May 1997	19.5	44.5	2.7%
144 Edward Street, Brisbane QLD	Jul 2000	16.3	40.5	2.5%
14 Moore Street, Canberra ACT ²³	May 2002	10.9	37.2	2.3%
Flinders Gate Complex, Melbourne VIC	Mar 1999	8.8	15.5	0.9%
Total Office		137.7	527.8	32.3%
Retail				
Whitford City Shopping Centre, Hillarys WA ²⁴	Oct 1984	68.1	338.4	20.7%
Whitfords Avenue, Hillarys WA ²⁴	Dec 1992	9.4	15.8	1.0%
West Lakes Mall, West Lakes SA ^{24, 25}	Nov 1998	48.7	207.9	12.7%
Plenty Valley Town Centre, Mill Park VIC ²⁴	Nov 1999	6.2	35.2	2.1%
Total Retail		132.4	597.3	36.5%
Industrial				
Axxess Corporate Park, Mount Waverley VIC	Oct 1996	66.6	91.3	5.6%
Kings Park Industrial Estate, Marayong NSW	May 1990	67.4	66.3	4.1%
Axxess Corporate Park, Seven Hills, NSW ²⁶	Jul 2000	-	15.7	1.0%
Target Distribution Centre, Altona North VIC	Oct 1995	41.4	31.9	1.9%
Knoxfield Industrial Estate, Knoxfield VIC	Aug 1996	48.5	31.8	1.9%
40 Talavera Road, North Ryde NSW	Oct 2002	13.1	29.5	1.8%
Redwood Gardens Industrial Estate, Dingley VIC	Dec 1994	49.6	29.5	1.8%
Frederick Street, St Leonards NSW	Jul 2000	19.2	26.1	1.6%
CCL Distribution Centre, Eastern Creek NSW ²⁷	Mar 2004	-	5.4	0.3%
Total Industrial		371.6	327.5	20.0%
Car Park				
172-189 Flinders Street, Melbourne VIC	Mar 1999	1,077 bays	45.3	2.8%
34-60 Little Collins Street, Melbourne VIC ²³	Nov 1984	960 bays	41.5	2.5%
383 Kent Street, Sydney NSW	Sep 1987	785 bays	39.4	2.4%
Albert & Charlotte Street, Brisbane QLD	Oct 1984	669 bays	32.0	2.0%
32-44 Flinders Street, Melbourne VIC	Jun 1998	530 bays	24.6	1.5%
Total Car Park		4,021 bays	182.8	11.2%
John Martin's Carpark and Retail Plaza Joint Venture (0.7% ownership)	Sep 1994	na	0.1	nml ²⁸
Total Property Portfolio			1,635.5	100.0%

Source: DDF

DDF's office properties include high and mid-grade buildings located within central business districts of major cities. The retail properties comprise shopping centres within 20-30km of central business districts. The industrial properties consist of large office/warehouse buildings.

²² Subject to a put and call option for sale for \$60 million (including \$6 million option fee) with settlement before 31 March 2005.

²³ 14 Moore Street, Canberra and 34-60 Little Collins Street, Melbourne are leasehold.

²⁴ 50% interests in these properties have been sold to Westfield with settlement anticipated in August 2004 (Whitford City and Plenty Valley) and March 2005 (West Lakes).

²⁵ Prior to completion of current expansion.

²⁶ Axxess Corporate Park is a development site comprising two lots: a 13.7 hectare lot sold in October 2003 for \$29.8 million plus a deferred settlement fee of up to \$2.5 million and a 4.3 hectare lot (the book value of which is shown above) comprising 11 subdivided lots and four industrial strata units. All land lots and two industrial units have been sold.

²⁷ Development property acquired in March 2004.

²⁸ nml = not meaningful

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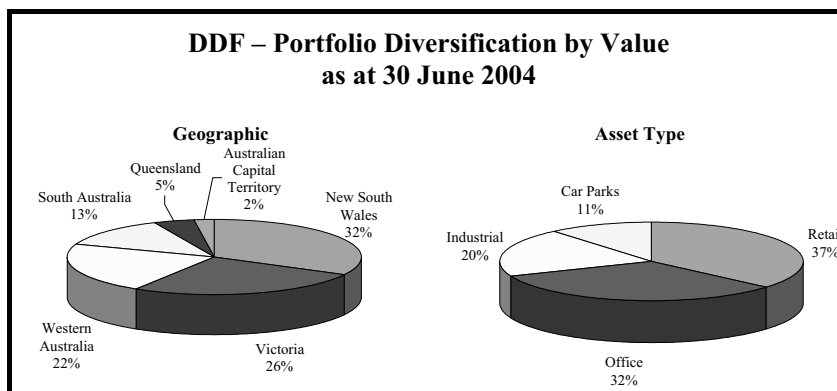
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DDF's portfolio is relatively concentrated in terms of property value with four properties accounting for approximately 49% of total portfolio value. The largest single property, Whitford City Shopping Centre, accounts for approximately 21% of the total portfolio value.

DDF's preferred asset allocation is 30-40% office properties, 30-40% retail properties, 25-35% industrial properties and 5-10% car parks. While DDF's portfolio is diversified geographically, New South Wales, Victoria and Western Australia account for 81% of portfolio value. The diversification of the portfolio is shown in the following chart:



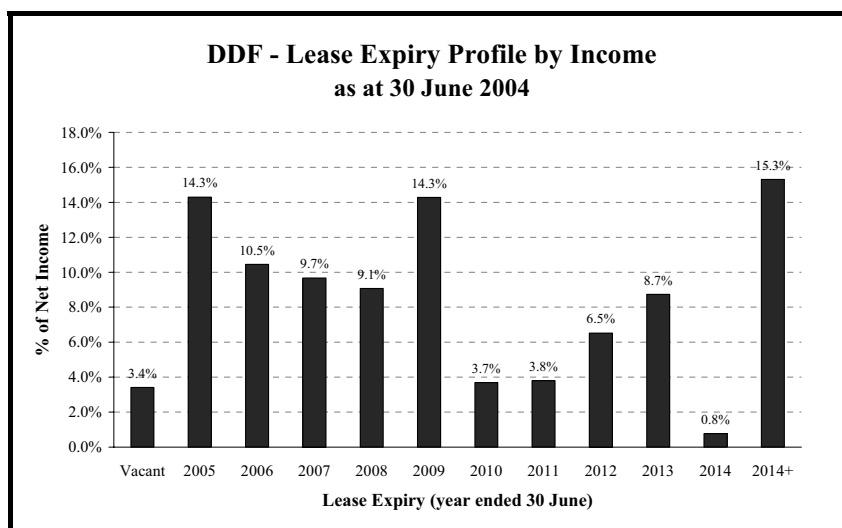
Source: DDF

Following completion of the retail transactions with STC and Westfield announced on 4 August 2004, the portfolio weighting will shift with retail representing approximately 43% of the property portfolio. Geographically, the portfolio will have a higher weighting in New South Wales and Queensland and a lower weighting in Western Australia and South Australia.

The major tenants of DDF's office properties consist of government agencies and companies (e.g. Commonwealth Bank of Australia) and service firms (e.g. Grant Thornton). The major tenants of the retail properties include Coles, Target, Woolworths and David Jones. The major tenants of the industrial properties are large companies including Toll Holdings, VisyPet and Tyco and the car park tenants are Kings Parking and Wilson Parking.

In recent years, DDF has maintained occupancy rates between 91-96% (by net lettable area) across the total portfolio and is 94% occupied as at 30 June 2004. The car parks are fully occupied and the retail properties are 99% occupied while the occupancy rates for office properties and industrial properties are lower at 94% and 92% respectively. Most of the vacancies are spread across six assets with the largest vacancies being at industrial properties at 40 Talavera Road, North Ryde and Redwood Gardens Industrial Estate, Dingley. DDF's lease expiry profile as a percentage of net income is shown below:

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Source: DDF

The portfolio as at 30 June 2004 had an average lease profile of 4.9 years weighted by net income. The weighted average lease term by net income for office properties is 3.9 years, for retail properties is 4.4 years, for industrial properties is 4.2 years and for car parks is 9.6 years.

As at 30 June 2004, almost 50% of leases extended beyond June 2009. However, leases representing 15.1% of net lettable area are expected to expire over the next 12 months and principally relate to office and industrial properties. Leases for major tenants in Ferguson Centre, Parramatta and Knoxfield Industrial Estate, Knoxfield expire in July 2004 and December 2005 respectively. Whilst this provides an opportunity for increased rents, re-letting periods associated with these leases may reduce net property income in the short term. DDF is focused on extending the lease duration of the portfolio and reducing vacancy rates through expansion and new leases.

DDF undertakes development and re-development of properties to enhance the portfolio. DDF recently completed an \$85 million expansion of Whitford City Shopping Centre, Western Australia. A \$62 million expansion of West Lakes Shopping Centre, South Australia is targeted for completion by the end of 2004. Major planned developments include a \$50 million development program of office and warehouse facilities at Axxess Corporate Park, Mount Waverly, Victoria and Kings Park Industrial Estate, New South Wales, and the \$40 million redevelopment of Ferguson Centre, Parramatta to upgrade the building. In addition, on 29 March 2004 DDF announced the acquisition of land at Eastern Creek, Sydney for \$5.0 million to be developed for approximately \$18 million for lease by a logistics company.

DDF has its properties independently valued on a three year rolling basis and at other times as necessary. In the year ended 30 June 2004, ten properties were revalued with a net increase in portfolio value of \$7.7 million.

On 4 August 2004, DDF announced a new retail property strategy that would result in ownership of a 50% interest in a \$1.5 billion portfolio of regional retail shopping centres ("regional retail portfolio") in place of its existing 100% owned portfolio of four retail properties. The regional retail portfolio is to be co-owned by Westfield. DDF has entered into sale and acquisition agreements over six properties that will comprise the regional retail portfolio as follows:

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DDF – Regional Retail Portfolio				
Property	Transaction	Counter-party	Payment/ (Proceeds)	Settlement Date
Westfield Mount Druitt	Acquisition of 50%	STC	139.8	September 2004
Westfield Hurstville	Acquisition of 50%	STC	232.1	March 2005
Westfield North Lakes	Acquisition of 50%	Westfield	62.5	August 2004
Plenty Valley	Sale of 50%	Westfield	(19.0)	August 2004
West Lakes	Sale of 50%	Westfield	(122.5)	March 2005
Whitford City	Sale of 50%	Westfield	(192.5)	August 2004
Total			100.4	

Source: DDF

The net acquisition price is to be funded from debt facilities, and given contracted asset sales, will not have a material impact on DDF's gearing.

DDF and Westfield will each hold co-ownership pre-emptive rights over each other's interest in the retail properties. Westfield waived its existing pre-emptive rights over Westfield Mount Druitt and Westfield Hurstville to enable DDF to acquire these properties from STC.

Westfield will manage the properties and holds the development rights for each of the properties. Any development work undertaken will be subject to approval of the co-owners. The new retail strategy aims to improve the quality of DDF's income by leveraging the retail management and development expertise of Westfield and through geographical diversification.

5.3 Responsible Entity Fees

Under DDF's constitution, DBRE, as responsible entity, is entitled to receive fees for the provision of management services.

Total fees are capped at 0.31% of total tangible assets plus 3.1% of gross income under DDF's constitution. From June 2001 (following the acquisition of the responsible entity by Deutsche Bank) until 1 October 2003, the responsible entity was paid a base management fee of 0.31% of total tangible assets plus 3.1% of gross income per annum. The fee structure was amended effective 1 October 2003, and is currently comprised of:

- a base fee of 0.45% of total tangible assets which is calculated and payable monthly; and
- a performance fee calculated as 5% of the outperformance up to 2% over the S&P/ASX 200 Property Trust Accumulation Index and 15% of the outperformance greater than 2% over the S&P/ASX 200 Property Trust Accumulation Index. The performance fee is calculated and payable six monthly and any underperformance or overperformance above the total fee cap is carried forward to offset against future period performance fee entitlements.

5.4 Earnings and Distributions

The historical financial performance of DDF for the five years ended 30 June 2004 and the Directors' forecasts of financial performance for the two years ending 30 June 2006 are summarised below:

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DDF – Financial Performance (\$ millions)							
	Year ended 30 June					Year ending 30 June ²⁹	
	2000 actual	2001 actual	2002 actual	2003 actual	2004 forecast	2005 forecast	2006 forecast
Gross rental income	113.6	132.1	138.0	153.7	161.0		
Property outgoing	(27.2)	(32.9)	(33.8)	(39.1)	(43.0)		
Net property income	86.4	99.2	104.2	114.6	118.0	133	147
Profit on sale of assets	-	-	-	-	(0.7)	19	-
Other	0.3	0.2	0.5	0.9	0.7	-	-
Net income	86.7	99.4	104.7	115.5	118.0	152	147
Responsible entity fees	(9.3)	(8.3)	(8.5)	(9.4)	(8.7)	(8)	(9)
Other expenses	(0.8)	(1.7)	(0.6)	(0.8)	(1.1)	(8) ³⁰	(1)
Net borrowing costs	(6.5)	(10.6)	(10.7)	(17.7)	(17.4)	(23)	(36)
Total expenses	(16.6)	(20.6)	(19.8)	(27.9)	(27.2)	(39)	(46)
Net profit attributable to unitholders	70.1	78.8	84.9	87.6	90.8	113	101
Transfer (to)/from reserves	-	(0.3)	-	8.4	1.1	-	-
Movement in undistributed income	-	-	(2.8)	(7.9)	(1.5)	(15)	-
Distributable income	70.1	78.5	82.1	88.1	90.4	98	101
Statistics							
Earnings per unit (cents)	8.79	8.76	9.37	9.26	9.39	11.1 ³¹	10.0
Distribution per unit (cents)	8.79	8.70	9.00	9.30	9.30	9.8	10.0
Distribution payout ratio	100%	100%	97%	101%	100%	87%	100%
Tax free amount of distribution (cents)	1.01	1.00	-	-	-	-	-
Tax deferred amount of distribution (cents)	2.06	1.75	2.97	4.12	4.96	- ³²	3.5
Tax advantaged component of distribution	35.0%	31.5%	33.0%	44.4%	53.4%	-	35%
Distribution yield (as at 30 June)	7.9%	7.7%	7.7%	8.1%	7.8%	na	na
Management expense ratio	0.91%	0.72%	0.66%	0.69%	0.60%	na	na

Source: DDF, Explanatory Memorandum

Net property income has grown consistently from 2001 to 2004 at an average compound annual growth rate of 6.0% per year. This growth reflects acquisitions and income growth from existing and expanded properties and has occurred in an environment of a strong domestic economy.

During the year ended 30 June 2004 DDF commenced the staged sale of Axxess Corporate Park, Seven Hills, Sydney. All sales are expected to settle by 31 December 2004.

Responsible entity fees have grown in line with growth in assets and income. For the nine months to 30 June 2004, during which the new fee arrangements operated, DDF paid a performance fee of \$0.6 million to DBRE.

Net borrowing costs have increased in line with total borrowings during the period ended 30 June 2004, reflecting the funding of acquisitions and development of properties. DDF utilises swap agreements to hedge its interest rate risk on borrowings.

Under current tax legislation, DDF is not liable for Australian income tax (including capital gains tax) provided that it distributes all of its taxable income to unitholders.

DDF distributes all of its assessable income (after certain adjustments) with distributions paid quarterly. Distributions have grown steadily since 2001. In 2003, distributions per unit exceeded reported earnings per unit as a result of the release of capital gains on assets sales. The increase in the tax deferred amount of the distribution in 2003 reflects the completion of expansion activities

²⁹ Disclosure is on the same basis as the Explanatory Memorandum.

³⁰ Includes \$7 million in transaction costs incurred if the Proposal does not proceed.

³¹ Calculated after transaction costs of \$7 million if the Proposal does not proceed. Excluding transaction costs, asset sales and property revaluations (if applicable), earnings per unit are forecast to be 10.01 cents.

³² Taxable income (\$107 million) is forecast to exceed distributable income (\$98 million) in 2004/05 as a consequence of discounted capital gains realised by DDF on the disposal of properties (refer Section 9.3(b) of Explanatory Memorandum).

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for certain properties in DDF's portfolio. The responsible entity has announced no charge to the distribution per unit for the year ended 30 June 2004 with growth in distributions forecast for the two years ended 30 June 2006.

Commentary on the assumptions underlying the Director's forecast of performance for the two years ending 30 June 2006 is set out in Sections 9.2 and 9.3 of the Explanatory Memorandum.

5.5 Financial Position

The financial position of DDF as at 30 June 2004 is summarised below:

DDF – Financial Position (\$ millions)	
	As at 30 June 2004 Actual
Cash	2.5
Receivables and prepayments	11.4
Investment in properties	1,635.5
Other assets	57.6
Total assets	1,707.0
Payables	(14.9)
Distributions payable	(23.2)
Borrowings	(474.2)
Other	(0.5)
Total liabilities	(512.8)
Total unitholders' funds	1,194.2
<i>Statistics</i>	
<i>Net borrowings</i>	<i>471.7</i>
<i>NTA per unit</i>	<i>\$1.20</i>
<i>Gearing (net borrowings/total assets less cash)</i>	<i>27.7%</i>

Source: DDF

As at 30 June 2004, DDF's investment in property assets totalled \$1,635.5 million. This figure includes several property interests which are subject to sale agreements which are expected to settle in the 2005 year. These interests include 1 Chifley Square, Sydney; 75 Carnarvon Street, Silverwater; Axxess Corporate Park, Seven Hills; and 50% interests in each of Whitford City Shopping Centre, West Lakes Shopping Centre and Plenty Valley Town Centre. In addition, DDF will acquire 50% interests in Westfield Hurstville and Westfield Mount Druitt during 2005. DDF is currently evaluating the sale of 144 Edward Street, Brisbane and Redwood Gardens Industrial Estate, Dingley. Other assets primarily includes \$51.8 million in property sale proceeds receivable in respect of 75 Carnarvon Street, Silverwater and Axxess Corporate Park, Seven Hills.

At 30 June 2004 borrowings totalled \$474.2 million, including bank debt of \$349.2 million and medium term notes of \$125.0 million. DDF's borrowings mature in the next twelve months and are to be refinanced. At 31 July 2004, fixed interest rate hedging covered 80% of total drawn debt, with an average hedge duration of 3.1 years. DDF's target hedging range is 70-90% of total borrowings. As at 31 July 2004, the hedge book included an unrealised gain of approximately \$2.4 million.

5.6 Capital Structure and Ownership

DDF has 1,002,530,643³³ ordinary units on issue.

The top ten unitholders in DDF hold 71.5% of the ordinary units on issue and are predominantly institutional nominee companies. DDF's only substantial unitholder is AXA with 248,395,127³⁴

³³ After the issue of units under the distribution reinvestment plan on 26 August 2004.

³⁴ Total holding as per substantial unitholder notice dated 11 June 2004 which includes 228,241,568 units (22.8%) in AXA's direct unitholding managed by DBRE.

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units representing 24.8% of total units on issue. Deutsche Bank holds a first right of refusal to purchase AXA's units. If AXA hold more than 7% of DDF and proposes to dispose more than 3% of the units on issue in any one transaction, then AXA must first offer to Deutsche Bank the lesser of the number of units to be sold and the number which would result in Deutsche Bank having a 19.9% interest in DDF.

DDF has implemented a distribution reinvestment plan under which holders of units may elect to have all or part of their distribution entitlements satisfied by the issue of new units rather than by being paid in cash. The new units may be issued at a discount of up to 10% of the five day volume weighted average market price after the relevant ex-distribution date. On occasion the distribution reinvestment plan has been underwritten. In relation to DDF's distribution for the quarter ended 30 June 2004, 5,917,657 units are to be issued at a price of \$1.18 (a discount of 2%)

5.7 Unit Price History

A summary of the price and trading of DDF units since 1 January 2000 is set out below:

DDF – Unit Price History					
Period	Unit Price (\$)			Average Weekly Volume (000s)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2000	1.25	1.02	1.17	5,319	153
2001	1.24	1.09	1.17	8,808	243
2002	1.26	1.11	1.15	11,44	283
Quarter ended					
31 March 2003	1.22	1.05	1.20	17,361	385
30 June 2003	1.27	1.15	1.15	14,923	417
30 September 2003	1.23	1.07	1.08	13,553	356
31 December 2003	1.21	1.08	1.16	12,931	297
31 March 2004	1.23	1.15	1.17	18,187	285
Month ended					
30 April 2004	1.19	1.13	1.14	13,264	363
31 May 2004	1.25	1.11	1.24	30,399	550
30 June 2004	1.27	1.19	1.19	15,392	370
31 July 2004	1.38	1.18	1.38	17,792	460
to 13 August 2004	1.40	1.24	1.25	29,058	669

Source: IRESS

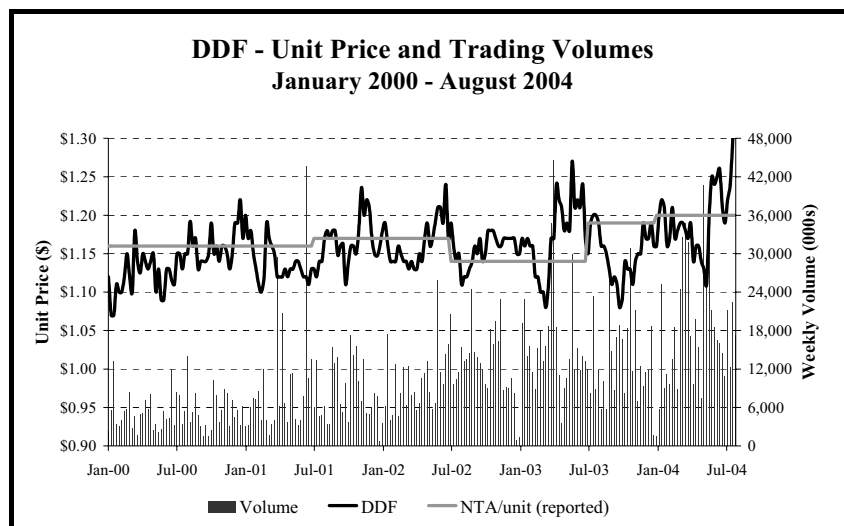
The following graph illustrates the movement in the DDF unit price and trading volumes since January 2000:

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■ ■ ■



Source: IRESS, DDF

Units in DDF have traded in the range of \$1.02 to \$1.40 over the period from 1 January 2000 to 3 August 2004 (the day prior to the announcement of the Proposal). The trading range over the last twelve months has been \$1.07 to \$1.40. The unit price exhibits some volatility although it has trended flat over most of the period. The unit price typically dips in late March, June, September and December each year around the ex-distribution date. Following media speculation regarding the Proposal on 21 July 2004 the unit price rose 4 cents. From 21 July 2004 until announcement on 4 August 2004 units traded in the range of \$1.29 to \$1.40. Since announcement of the Proposal, DDF's unit price has decreased to levels evident immediately prior to the media speculation, closing at \$1.25 on 13 August 2004.

Units in DDF are actively traded, with average weekly volumes over the year preceding the announcement of the Proposal representing approximately 1.7% of units on issue or 2.2% of units on issue excluding AXA's 24.8% interest.

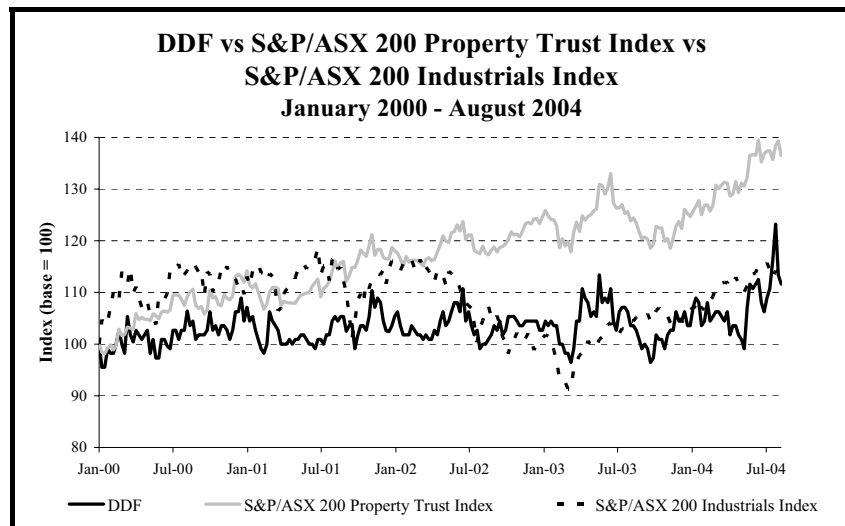
NTA has increased from \$1.17 at 30 June 2001 to \$1.20 at 30 June 2004 largely as a result of the net increment to the property revaluation reserve over the period. DDF's units have mainly traded at a discount to NTA although it has for short periods traded at a premium to NTA. Since July 2003 it has traded at a discount to NTA of up to 9% although it began trading at a premium from June 2004 probably as a consequence of market speculation regarding the consolidation of the listed property trust sector, particularly in relation to two of DDF's diversified sub-sector peers; General Property Trust and Stockland. On 3 August 2004, DDF was trading at a premium to NTA of 14.2% in comparison to the diversified sub-sector which was trading at a premium of 35%.

The performance of DDF's units since 1 January 2000 relative to the S&P/ASX 200 Property Trust Index and the S&P/ASX 200 Industrials Index is illustrated in the following chart:

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Source: IRESS

DDF has generally underperformed the S&P/ASX 200 Property Trust Index since January 2000 although it has performed in line with the S&P/ASX 200 Industrials Index since mid 2003. DDF only comprises 1.5% of the S&P/ASX 200 Property Trust Index and its underperformance relative to the index may reflect the lower growth profile of its property portfolio relative to its larger peers.

DDF has generally underperformed the property sector and outperformed the broader market over periods up to four years based on a comparison of accumulation indices:

DDF – Comparison of Accumulation Indices						
	Accumulated Returns to 13 August 2004					
	one month	three months	six months	one year	three years (annual)	four years (annual)
DDF	1.6%	12.7%	7.4%	15.7%	11.0%	9.4%
S&P/ASX 200 Property Trust Index	(0.3)%	6.7%	12.0%	18.4%	13.4%	na
S&P/ASX 200 Industrials Index	(2.7)%	2.8%	6.7%	13.6%	4.1%	4.9%

Source: Bloomberg. Returns based on daily data except for three and four years which are based on weekly data.

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6 Profile of DB RREEF Holdings Limited

6.1 Overview

DB Real Estate Australia is an operating division of Deutsche Bank in Australia. It comprises the real estate activities of DeAM and DBRE and offers a range of real estate investment products (including both direct property investment and securitised property investments) and property management services (e.g. leasing and building services for property owners and tenant services in properties it manages). DB Real Estate Australia is part of Deutsche Bank's global DB Real Estate business which has more than \$78 billion of assets under management.

DB Real Estate Australia's assets under management³⁵ at 30 June 2004 were as follows:

DB Real Estate Australia – Assets under Management at 30 June 2004				
Product Category	Description	Sector	Assets under Management (\$ million)	%
Listed Trusts	DOT	Office	2,363	
	DIT	Industrial	933	
	DDF	Diversified	1,707	
			5,003	54.6%
Unlisted Trusts				
- Institutional	Deutsche Wholesale Property Fund	Retail/Commercial	1,363	
- Retail	Gordon Property Syndicate	Retail	69	
	Northgate Property Syndicate	Retail	68	
	Abbotsford Property Syndicate	Commercial	17	
			1,517	16.6%
Direct Mandates ³⁶			2,644	28.8%
Total			9,164	100.0%

Source: DeAM and DBRE

If the Proposal is approved, the activities associated with these assets under management will comprise the activities of DBRF Management which will be a wholly owned subsidiary of DBRF Holdings. Under the Proposal DRO is to acquire a 50% interest in DBRF Holdings from Deutsche Bank for up to \$70 million³⁷ (up to \$65 million for the real estate and property management business and approximately \$5 million for regulatory and working capital). DRO will acquire a 50% interest in DBRF Holdings' ordinary shares and 50% of DBRF Holdings' subordinated shareholder loan notes with \$52.5 million ascribed to the loan notes and the balance ascribed to the ordinary shares.

The services provided to each client above are summarised below:

▪ Listed Property Trusts

DeAM is the responsible entity of DOT and DIT and DBRE is the responsible entity of DDF. These listed property trusts and the fees to which the respective responsible entity is presently entitled are described in Sections 3, 4 and 5 of this report respectively.

DeAM and DBRE's positions as responsible entities are subject to the provisions of the Corporations Act relating to the retirement and removal of responsible entities for listed

³⁵ Excluding management of the listed IYS Instalment Receipts Ltd ("IYS") (which represents instalment receipts over units in the unlisted Deutsche Retail Infrastructure Trust) which is to be retained by DeAM.

³⁶ Excluding the mandate to manage STC's investment in DOT and DIT to avoid double counting.

³⁷ The purchase price may be lower than \$70 million if any requisite consents for the transfer to DBRF Management of any of the existing third party funds under management are not granted.

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managed investment schemes. The responsible entities effectively have indefinite tenure unless they want to retire or are removed. Either of those changes can only occur following an ordinary resolution of unitholders (i.e. 50% of unitholders that are entitled to vote and who vote in person or proxy).

■ **Unlisted Property Trusts**

• **Deutsche Wholesale Property Fund**

DBRE is the responsible entity for Deutsche Wholesale Property Fund ("DWPF") which is an unlisted diversified property trust for institutional investors. DWPF was initially established in June 1983 as a listed property trust. It was delisted in February 1995 and was launched as an unlisted trust by a subsidiary of AXA. This mandate originated when Deutsche Bank acquired the AXA property management business in June 2001. AXA currently has a 32% interest in DWPF.

At 30 June 2004 DWPF had a \$1.363 billion investment portfolio of which \$1.3 billion was invested in direct property. DWPF's property portfolio is comprised of interests in 11 properties (including 50% interests in 6 properties). 60% of the portfolio is in the office sector with the balance in the retail sector. The portfolio is heavily weighted towards New South Wales (77%) and two assets account for 70% of the value of the portfolio. A description of DWPF including its investment objectives and style and its property portfolio is included in Section 6 of the Explanatory Memorandum.

DBRE is entitled to receive a base management fee of 0.45% of gross assets and a performance fee of up to 0.30% of gross assets calculated on a 12 month rolling basis by reference to an independent benchmark.

DBRE's position as responsible entity is subject to the provisions of the Corporations Act relating to the retirement and removal of responsible entities for unlisted managed investment schemes. DBRE effectively has indefinite tenure unless it wants to retire or is removed. Either of those changes can only occur following an extraordinary resolution of unitholders passed by at least 50% of the total votes by unitholders entitled to vote (including unitholders who are not present in person or proxy).

However, under the terms of Deutsche Bank's acquisition of the AXA property management business, AXA is obligated to vote in accordance with the direction of Deutsche Bank in relation to any proposal to remove DWPF's responsible entity and, in the absence of any such direction, against any such proposal. This obligation does not apply if DWPF's performance has been below a benchmark or a request for unit redemption by AXA has not been satisfied.

DWPF has the opportunity through an assignable put and call arranged to acquire a \$312.5 million property portfolio (comprising a 100% interest in one property and 50% interests in two properties) from the direct property portfolio of STC (see below). These acquisitions would improve DWPF's geographic and sector diversification. The total acquisition cost is estimated at \$329 million (subject to valuation) and it is anticipated that the transaction will complete by 30 June 2005. The acquisition would be funded by a combination of debt (\$159 million) and new equity (\$170 million). If the Proposal is approved by unitholders, and the acquisition proceeds, DRT will invest \$25 million for new units in DWPF (approximately 1.8% of the enlarged fund) and may elect to invest up to a further \$25 million in DWPF depending on the level of investor demand for the DWPF equity raising. DRT's investment in DWPF will be capped at 5% of issued DWPF equity.

If the Proposal is approved, DBRE will remain the responsible entity of DWPF but will delegate its responsibilities and fees to DBRF Management. After consultation with DWPF unitholders, Deutsche Bank may sell DBRE to DBRF Management.

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- **Deutsche Property Syndicates**

DeAM is the responsible entity for three unlisted fixed term property trusts. These mandates originated when Deutsche Bank acquired the Paladin funds management business in June 2000:

- **Gordon Property Syndicate:** which was established in November 1998 for a fixed term of 12 years to November 2010. It owns two retail assets, the Gordon Centre and the Gordon Village Arcade located at Gordon in Sydney, New South Wales. At 30 June 2004 total assets under management were \$69 million.
- **Northgate Property Syndicate:** which was established in November 1997 for a fixed term of 12 years to November 2009. It owns the Northgate Shopping Centre at Glenorchy in Hobart, Tasmania. At 30 June 2004 total assets under management were \$68 million.
- **Abbotsford Property Syndicate:** which was established in December 1997 for a fixed term of 12 years to December 2009. It owns a commercial building at Abbotsford in Melbourne, Victoria. At 30 June 2004 total assets under management were \$17 million.

These syndicates are closed to new investors and are for fixed terms. DeAM is entitled to a base management fee of 1% of gross assets and a performance fee on the sale of the assets based on the excess of the sale price over the original equity, debt and expenses.

DeAM's position as responsible entity is subject to the provisions of the Corporations Act relating to the retirement and removal of responsible entities for unlisted managed investment schemes. DeAM effectively has indefinite tenure unless it wants to retire or is removed. Usually either of those changes can only occur following an extraordinary resolution of unitholders passed by at least 50% of the total votes by unitholders entitled to vote (including unitholders who are not present in person or proxy). However, in the case of these property syndicates relief has been obtained from the Australian Securities & Investments Commission to enable the responsible entity to be replaced without a meeting unless a certain number of unitholders request a meeting.

- **Direct Mandates**

- **STC Mandate**

STC is the trustee for four closed superannuation funds for New South Wales Government employees and their families. STC has appointed DeAM to provide services in relation to its property portfolio (which includes a direct property portfolio, a 31.5% interest in DOT and a 16.0% interest in DIT).

This mandate was part of the Axiom Funds Management business acquired by Deutsche Bank in June 1997. The original contract between STC and Axiom was for five years and ended on 30 June 2002. The current mandate has no fixed term and can be terminated by STC at any time.

DeAM provides asset management and sub-custodian services for STC's property portfolio generally and property management services to the commercial and industrial properties located in Sydney. DeAM is entitled to receive asset management fees on the total portfolio (excluding the investments in DOT and DIT) and property management and leasing and capital works fees on the Sydney commercial and industrial properties.

At 30 June 2004, STC's direct property portfolio was comprised of interests in 18 properties (including 50% interests in five properties). The portfolio included interests in five commercial properties, five industrial properties and eight retail properties. The properties are located in New South Wales, Victoria, Queensland and Western Australia.

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STC has entered into assignable put and call options for the sale of one property and 50% interests in two properties to DWPF and 50% interests in two properties to DDF.

The terms of the sale arrangements between STC and the responsible entities for DWPF and DDF are set out in detail in the Explanatory Memorandum. Following settlement the property assets will continue to be managed by DBRF Management but the applicable fee basis will be adjusted and is reflected in the Directors' forecasts in Section 6.2 in this report.

In addition, STC has entered into a put option with DDF and call option with DBRE or its nominee expiring October 2005 in relation to the sale of STC's 100% interest in 16-20 Barrack Street, Sydney, NSW.

- **AXA Mandates**

AXA has appointed DeAM to the following direct property mandates which originated when Deutsche Bank acquired the AXA property management business in June 2001:

- **direct property component of the Australian Property Fund ("APF"):** APF was established in February 1985 primarily to invest in direct property across the office, industrial and retail property sectors. It also maintains an exposure to listed and/or unlisted property securities and cash for liquidity purposes. As at 30 June 2004 the direct property portfolio included 11 properties in New South Wales, Victoria, Western Australia and Tasmania. APF is offered by AXA to retail investors. The current mandate is for a two year term expiring on 30 June 2006;
- **Australian direct property investments of the Statutory Funds of National Mutual Life Association of Australasia Limited ("NMLA"):** at 30 June 2004 the property portfolio included 4 properties in New South Wales, Victoria and Western Australia. NMLA intends to dispose of all direct properties in the Statutory Funds. Three of the properties are likely to be sold within 12 months with the remaining property being subject to an option to a local developer. The current mandate is for a two year term expiring on 30 June 2006; and
- **New Zealand direct property investments of NMLA and the National Mutual Master Superannuation Scheme:** at 30 June 2004 the property portfolio included 3 properties, two in Auckland and one in Wellington. All other properties in this portfolio have been sold and the remaining assets are to be retained at present. The current mandate is for a two year term expiring on 30 June 2006.

- **Kent Street Mandate**

DeAM is the asset and property manager for 309-321 Kent Street, Sydney. This office building is 50% owned by DOT and 50% by the Australian Core Property Portfolio managed by AMP Capital Investors Limited ("AMP"). The Kent Street Mandate represents the 50% of 309-321 Kent Street owned by AMP.

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6.2 Financial Performance

The consolidated financial performance of the activities that will comprise DBRF Holdings for the two years ended 30 June 2003 and the forecasts of financial performance for the nine months ending 30 September 2004, nine months ending 30 June 2005 and the year ending 30 June 2006 are summarised below:

DBRF Holdings - Financial Performance (\$ millions)					
	Year ended 31 December		Nine months ending 30 June	Nine months ending 30 June	Year ending 30 June
	2002 actual	2003 actual	2004 forecast	2005 forecast	2006 forecast
Management fees				32.0	43.7
Property management fees				3.4	5.0
Other income				1.6	1.5
Net income	51.1	55.4	40.9	37.0	50.2
Direct costs				(18.2)	(24.4)
Indirect costs				(6.2)	(7.2)
Total expenses	(32.3)	(35.7)	(25.8)	(24.4)	(31.6)
EBITA³⁸	18.8	19.7	15.1	12.6	18.6
Interest expense				(8.7)	(11.6)
Net profit before tax				3.9	7.0
Income tax expense				(1.2)	(2.1)
Net profit after tax				2.7	4.9
<i>Statistics</i>					
<i>EBITA margin</i>	<i>36.8%</i>	<i>35.6%</i>	<i>36.9%</i>	<i>34.1%</i>	<i>37.1%</i>

Source: DeAM and DBRE

The historical financial performance and the forecast for the nine months ending 30 September 2004 represent the business of DB Real Estate Australia prior to implementation of the Proposal. In particular, the historical results include:

- management fees based on the fee structure for each mandate including, where applicable, performance fees;
- non-recurring income and income in relation to assets not to be included in DBRF Management's ongoing management portfolio; and
- indirect costs relating to shared services costs and other Deutsche Bank charges which will not be incurred following transition to a stand alone business.

The Directors' forecast of financial performance has been developed by reference to each management mandate (including the US Joint Venture) and a detailed review of existing costs and future requirements for DBRF Holdings on a stand alone basis. The forecast assumes that the Proposal is implemented on 1 October 2004 and:

- reflects the proposed flat management fee structure (including elimination of performance fees for the listed property trusts) but does not allow for any performance fees to which DBRF Management may be entitled under other mandates; and
- does not allow for any cost savings possible as a consequence of a restructure of DBRF Holdings' current operating structure.

³⁸ EBITA is earnings before interest, tax and goodwill amortisation.

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6.3 Financial Position

The forecast consolidated financial position of DBRF Holdings upon implementation of the Proposal is summarised below:

DBRF Holdings - Financial Position (\$ millions)	
	As at Implementation forecast
Cash	8.1
Receivables	5.0
Property, plant and equipment (net)	0.3
Management rights	130.0
Total assets	143.4
Payables	(0.6)
Provisions	(2.8)
Subordinated shareholder loan notes	(105.0)
Total liabilities	(108.4)
Total shareholders' funds	35.0

Source: DeAM and DBRE

Management rights represents the value attributed to DBRF Management (i.e. the real estate asset management and property business) upon acquisition by DBRF Holdings.

DBRF Holdings will have 105,000,000 subordinated shareholder loan notes on issue. These loan notes will be issued to fund the acquisition of DBRF Management and pay interest at the rate of 11% per annum. DRT will acquire 50% of the loan notes for \$52.5 million upon implementation of the Proposal.

6.4 Capital Structure and Ownership

DBRF Holdings will have 35,000,000 ordinary shares on issue and is currently 100% owned by Deutsche Bank. Upon implementation of the Proposal, DRT (through DRO) will acquire a 50% interest (or 17,500,000 shares) in DBRF Holdings.

6.5 Future Operating Framework

The future operations of DBRF Holdings will be governed by a number of operating agreements. The terms of these agreements are set out in detail in Section 19 of the Explanatory Memorandum and are summarised below:

▪ Shareholders' Deed

- DBRF Holdings (and its subsidiaries) are to carry on the existing business of DB Real Estate Australia (including DWPF under a delegation from DBRE) and (unless otherwise agreed) carry on any new business that is in the nature of core business. Core business is defined, broadly, as the provision of services as real estate property manager, as real estate investment manager under mandates, as responsible entity for certain managed investment schemes and trusts, as property consultant and offering direct real estate property management products to retail and wholesale clients in Australia and New Zealand;
- new real estate related business that is not core business may be carried on by DRO but any other new business will require agreement of both DRO and Deutsche Bank. DBRF Holdings will charge DRO for any time incurred by its employees in relation to any business that is not core business;
- Deutsche Bank and DBRF Management will co-operate in relation to clients held in common;
- if DRT acquires real estate in a jurisdiction outside of Australia and New Zealand where DB Real Estate's funds management business operates, then DB Real Estate's funds

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management business must be offered a first right of refusal to provide real estate asset management services on commercial terms unless DRT's client will not accept provision of services from DB Real Estate or it is a condition of the sale that the seller continues to provide the services;

- subject to the statutory duties of DBRF Management (as responsible entity of DRO) and its directors, certain matters will require a shareholders' ordinary resolution (e.g. a change in business, new subsidiaries, dilutionary actions, changes to the number or composition of the Board, business plans and the payment of dividends);
- DBRF Holdings' board to comprise up to nine directors with the majority of directors to be independent of Deutsche Bank. It is proposed that the first board be comprised of seven directors – three appointed by Deutsche Bank and four independent directors to be appointed by DRO. Independent directors must be approved by unitholders at the next general meeting following their appointment (and every three years thereafter). If such a resolution is not passed then the independent director must be removed and DRO may appoint another person until the next general meeting. The Chairperson will be an independent director but will not have a casting vote. The boards of DBRF Holdings and DBRF Management must be the same. Stapled securityholders may also nominate a person for appointment to the boards of DBRF Holdings and DBRF Management;
- Deutsche Bank is to nominate the chief executive officer to be appointed by the board. The chief executive officer of DBRF Holdings and DBRF Management must be the same and will be responsible to the respective boards. The boards may remove that person by simple majority;
- an appropriate compliance and control environment, at least equivalent to that existing within DeAM from time to time (or a higher standard if required by law) must be established;
- a shareholder may not transfer any of its shares and loan notes except if it transfers all of its shares and loan notes and then only:
 - with prior written consent of each other shareholder;
 - to a custodian or bare transfer for a shareholder;
 - to a related body corporate of a shareholder that is wholly owned; or
 - in accordance with the Deutsche Bank put option or DRT call option;
- Deutsche Bank has the right to put its shares and loan notes to DRT if:
 - a person other than Deutsche Bank (or related entities) acquires a relevant interest in 30% or more of the DRT stapled securities;
 - Deutsche Australia ceases to be a related body corporate of Deutsche Bank;
 - Deutsche Bank disposes of all or substantially all of its United States real estate funds management business or its global real estate funds management business; or
 - Deutsche Bank is required by law or by a regulator to dispose of its shares;
- DRT has the right to call on Deutsche Bank's shares and loan notes if:
 - Deutsche Australia ceases to be a related body corporate of Deutsche Bank; or
 - Deutsche Bank disposes of all or substantially all of its United States real estate funds management business or its global real estate funds management business.
- the Deutsche Bank put and DRT call may be exercised at any time within six months after the occurrence of a trigger event. If not exercised the relevant option expires;
- the price to be paid for Deutsche Bank's shares and loan notes under either the put or call will be calculated as follows:

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$$Price = ((1.28\% \times FUM) \text{ plus } NTA) \times \frac{N_1}{N_2}$$

where:

FUM = funds under management at the date of exercise of option

NTA = consolidated net tangible assets of DBRF Holdings at date of exercise of option

N_1 = Deutsche Bank's shareholding in DBRF Holdings

N_2 = total number of shares on issue in DBRF Holdings

FUM and NTA are to be as at the date of exercise of option. The purchase price is to be apportioned to the loan notes first based on their face value. The purchase price may be funded by either cash or stapled units; and

- Deutsche Bank has agreed that, while it is a shareholder of DBRF Holdings, it will only issue direct real estate property management products (other than in relation to infrastructure yield securities issued over units in the Deutsche Retail Infrastructure Trust) to retail or wholesale clients in Australia and New Zealand through DBRF Management unless agreed to by DRT. This undertaking does not apply to products offered as part of a global offering originating from Deutsche Bank outside Australia.

■ Brand Control and Trademark Licence Deed

For a period of three years (or as extended by the parties) Deutsche Bank and RREEF America LLC ("RREEF America") will grant DBRF Management the exclusive right to use the brand which comprises the words "DB RREEF Trust managed in partnership with Deutsche Bank" together with the Deutsche Bank symbol in Australia and New Zealand to carry out its core business (or outside these countries to the extent necessary to carry out activities which are part of the core business). DBRF Management is given the right to use certain trademarks as part of the brand. In addition, the name "DB RREEF" may be included as part of the name of any managed investment scheme or trust of which DBRF Management is the responsible entity but the trust or scheme must change its name if DBRF Management is no longer responsible entity.

DBRF Management may only sub-license the brand to wholly owned subsidiaries engaged in the core business. DBRF Management will pay Deutsche Bank a fee for brand management services. The fee payable is limited to the reasonable costs incurred by Deutsche Bank in providing these services. DBRF Management will also reimburse Deutsche Bank, Deutsche Bank and RREEF America for costs in relation to any exercise of rights under the deed. Deutsche Bank can terminate the deed without cause on 20 business days notice.

■ Transitional Services Agreement

For a period of 12 months (and possibly up to 15 months) Deutsche Bank will provide services and resources (including information technology, human resources, compliance, premises, administration, legal and other services) to DBRF Holdings and DBRF Management to enable them to establish stand alone administration infrastructure.

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7 Profile of US Industrial Portfolio

7.1 Background

If the Proposal is implemented, DRT (through DIT and DDF) will acquire an 80% interest in a US\$1.0 billion (\$1.4 billion) portfolio of industrial properties in the United States (the "US Industrial Portfolio") from Calwest Sub, a wholly owned subsidiary of Calwest Industrial Properties LLC ("Calwest"). The remaining 20% interest will be retained by Calwest Sub.

Calwest is 98% owned by The California Public Employees' Retirement System ("CalPERS") with the remaining 2% held by RREEF America (i.e. Deutsche Bank) and certain current and former employees of RREEF America (collectively "RREEF"). CalPERS is the largest public pension fund in the United States with assets totalling approximately US\$162 billion. CalPERS has US\$11.3 billion invested in real estate assets with US\$2.8 billion in industrial properties. Calwest is CalPERS' investment vehicle for the western half of the United States. RREEF America is a full service real estate investment adviser and is the United States arm of Deutsche Bank's global DB Real Estate business. RREEF America manages the majority of CalPERS US\$2.8 billion of industrial assets including the Calwest portfolio.

The majority of the property portfolio to be acquired was part of the US\$2.1 billion Cabot Industrial Trust REIT taken over by Calwest in December 2001. Calwest added to the portfolio through the acquisition of land in Texas and an industrial building in Virginia. In August 2002, Calwest sold approximately US\$400 million of the portfolio to CalEast, CalPERS' investment vehicle in the eastern half of the United States. In August 2003, approximately US\$630 million of properties were contributed to a joint venture with TIAA-CREF (Teachers).

Secured Capital Corp ("Secured Capital"), a United States based real estate investment bank, was appointed by Calwest in early 2004 to seek proposals from potential joint venture partners in the US Industrial Portfolio. RREEF America as manager of the US Industrial Portfolio and with a 2% interest in Calwest obtained approval from CalPERS and Deutsche Bank to offer the opportunity to participate in the sale process to the global DB Real Estate business.

Secured Capital sought tenders in February 2004. Twelve joint venture proposals were received, six proposals were shortlisted and DB Real Estate Australia was selected as the preferred partner in late March subject to due diligence and completion. The selection of the preferred partner was based on a combination of factors including price, ability to complete, viability as a joint venture partner for Calwest, and complementary investment strategy. Due diligence has been completed and a US\$5 million deposit is to be paid to secure exclusivity to complete the transaction. If the transaction does not complete by 30 September 2004 Calwest is free to seek proposals from other parties.

7.2 Property Portfolio

The portfolio consists of 93 industrial properties and 6 land parcels covering 18 metropolitan markets in the United States. All properties are 100% owned. The portfolio is comprised approximately 61% warehouse properties and 39% flex space located across 18 metropolitan markets in the United States. Flex space consists of single story buildings that can be utilised for retail and personal service, distribution, light industrial and occasional heavy industrial use. A summary of the portfolio is set out below:

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US Industrial Portfolio					
Metropolitan Region	Properties	Buildings	Total Lettable Area (000m ²)	Acquisition Price (US\$ million)	Portfolio Composition (%)
Northern Virginia	6	16	100.7	138.0	13.3
Dallas	16	25	211.1	105.8	10.2
Baltimore	8	14	115.9	85.8	8.3
Los Angeles	4	11	97.6	85.4	8.3
Cincinnati & N Kent	10	24	251.3	79.5	7.7
Riverside	6	13	143.5	73.2	7.1
Phoenix	11	20	165.7	73.1	7.1
Orlando	2	8	129.3	58.5	5.7
Columbus	4	9	149.6	52.2	5.0
Harrisburg	3	5	98.4	45.5	4.4
Atlanta	5	10	72.1	39.5	3.8
San Diego	4	5	53.5	38.4	3.7
Minneapolis	5	8	66.3	38.0	3.7
Seattle	3	7	49.4	32.9	3.2
Charlotte	3	7	82.1	28.8	2.8
South Florida	1	3	13.7	20.4	2.0
Boston	1	1	14.3	10.2	1.0
Memphis	1	1	31.2	9.1	0.9
Property Portfolio	93	187	1,845.7	1,014.4	98.1
Land parcels ³⁹	6	-	40.8h	20.0	1.9
Total Property Portfolio	99	187	1,845.7	1,034.4	100.0

Source: DeAM and DBRE

The portfolio is diversified in terms of region and property value with five metropolitan regions accounting for approximately 47.8% of total portfolio value. The largest single property, Orlando Central Park in Orlando, Florida, accounts for only 5% of the total portfolio value.

The portfolio has 472 leases. The largest overall tenant is the United States Government with approximately 4.5% of in-place base rent while the largest corporate tenant is AT&T Corporation with 2.9% of in-place base rent.

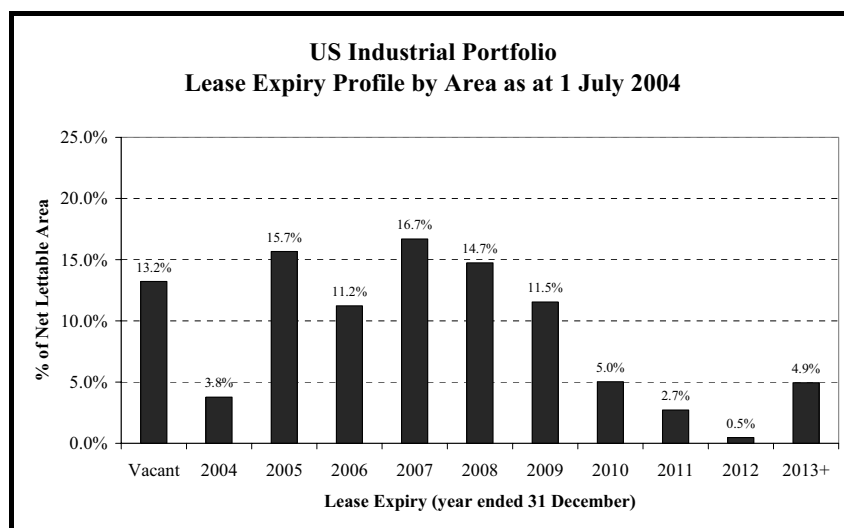
At 30 June 2004 the portfolio was approximately 87% occupied, in line with average market occupancy in the same markets. However, prior to the economic downturn in the United States in 2001 the broader portfolio had above average occupancy rates (consistently above 95%). Occupancy levels are expected to stabilise at approximately 93% in the period to 30 June 2006 based on the continued economic recovery in the United States. The portfolio's lease expiry profile as a percentage of total lettable area is shown below:

³⁹ Subject to a put and call arrangement expiring on 30 June 2006.

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Source: DeAM and DBRE

The portfolio has an average unexpired lease term (measured by base rent) of 3.6 years which reflects the multi-tenant short lease term nature of the portfolio. However, the portfolio has an average tenant retention rate of 9.4 years as a consequence of tenants renewing leases or exercising options to extend. In the last three years the average lease term entered into has been 4.3 years, above the average lease profile for the portfolio.

There is potential to expand the portfolio through the development of land acquired as part of the portfolio and through the re-development of existing properties.

7.3 Acquisition Cost

The total acquisition price for 100% of the US Industrial Portfolio is US\$1,014.4 million including income support and capital expenditure commitments as summarised below:

US Industrial Portfolio – Acquisition			
	Acquisition Cost (US\$ millions)	Acquisition Yield ⁴⁰	
		30 June 2005	30 June 2006
Property portfolio	975.0	7.7%	8.5%
Income support commitment	19.5		
Capital expenditure commitment	19.9		
Acquisition Cost	1,014.4		

Source: DeAM and DBRE

In addition, six land parcels are subject to a put and call arrangement expiring on 30 June 2006. This deferred consideration has a present value of US\$20 million and, if exercised, results in a total acquisition cost of \$1,034.4 million.

Calwest Sub has:

- provided income support to the US Joint Venture of up to US\$19.5 million for the period to 30 June 2014; and
- agreed to reimburse the US Joint Venture for scheduled capital expenditure in relation to the

⁴⁰ Yields calculated by reference to net property income were brought to account on an accruals basis in accordance with Australian Generally Accepted Accounting Principles ("AGAAP").

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portfolio up to a maximum of US\$19.9 million. The amount to be reimbursed will be reduced by the capital expenditure spent on the portfolio between 1 July 2004 and settlement of the acquisition.

Calwest has provided to the US Joint Venture a guarantee in relation to the gross operating income of the US Industrial Portfolio of up to US\$5 million for the period to 30 June 2006. If the US Industrial Portfolio produces gross operating income in excess of the projected income, Calwest Sub will be entitled to a special distribution of 50% of the first \$5 million of excess income from any distributions made for the period ending 30 June 2006 (and subsequent periods) with the remaining 50% to be distributed 80% to US REIT and 20% to Calwest Sub. If Calwest has made any shortfall payments to the US Joint Venture during the period but if its cumulative obligation is less than the total of amounts paid, it will be entitled to be reimbursed as a first priority out of distributions made from and after 30 June 2006.

Calwest Sub is also entitled to deferred purchase consideration if returns exceed an internal rate of return ("IRR") of 10% per annum for the US Joint Venture ("Deferred Consideration Amount"). Any returns above a 10% IRR will be paid 40% to Calwest Sub and 60% to US REIT (i.e. Calwest is entitled to additional consideration equal to 20% of the excess return). The Deferred Consideration Amount is capped at US\$20 million in net present value term and exists until 30 June 2014. US REIT can call the Deferred Consideration Amount between 1 July 2005 and 30 June 2014 and Calwest Sub can put the Deferred Consideration Amount to US REIT between 1 July 2009 and 30 June 2014.

DB Real Estate Australia commissioned an independent valuation of the property portfolio as at 30 April 2004 from CB Richard Ellis ("CBRE"). CBRE has valued the property portfolio by reference to the aggregate of individual property values as follows:

US Industrial Portfolio – Independent Valuation (US\$ million)		
	Acquisition Cost	Aggregate of Individual Values
Property portfolio	975.0	993.0
Income support commitment	19.5	19.5
Capital expenditure commitment	19.9	19.9
Total	1,014.4	1,032.4

Source: DeAM and DBRE

7.4 Acquisition Structure

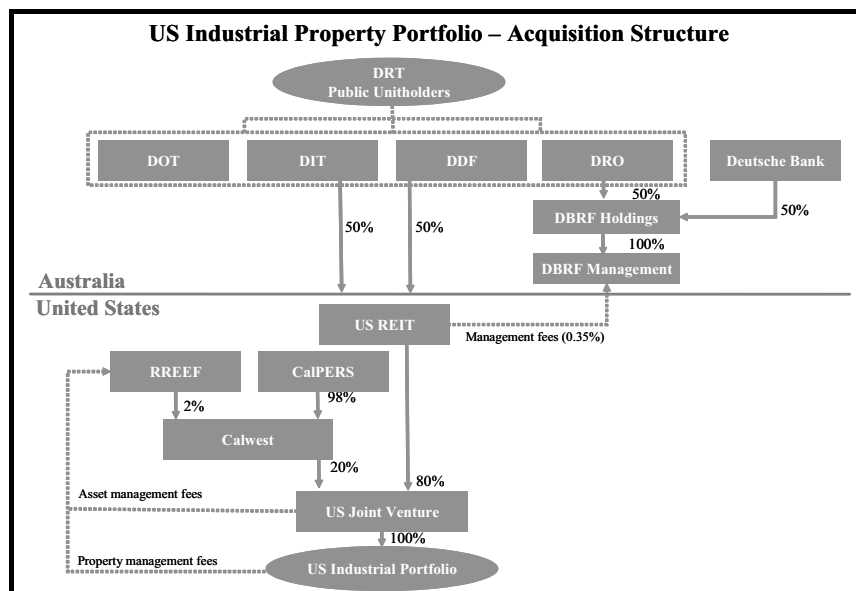
The acquisition of the US Industrial Portfolio is to be structured as a joint venture between DRT (via US REIT) (80%) and Calwest (via Calwest Sub) (20%).

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Source: DeAM and DBRE

DIT and DDF will each own 50% of the equity in DB RREEF Industrial Properties Inc (“US REIT”), a United States real estate investment trust. US REIT will own 80% of DB RREEF Industrial LLC (the “US Joint Venture”) with the remaining 20% held by Calwest Sub (a wholly owned subsidiary of Calwest). The US Joint Venture will hold its interests in the US Industrial Portfolio through limited partnerships and companies.

Arrangements between DOT, DIT, DDF and US REIT

DOT, DIT and DDF have agreed to provide funding to US REIT to allow it to meet its US Joint Venture obligations. DIT and DDF will each provide US\$2.5 million to the US REIT to allow it to pay the US\$5 million deposit for the 80% interest in the US Joint Venture and will reimburse US REIT for other acquisition costs equally.

In exchange for shares in US REIT, DIT and DDF will each contribute half of US REIT’s equity investment in the US Joint Venture. If either DIT or DDF is subject to certain takeover events (including any proposal to change the responsible entity) it will lose its right to subscribe for shares in US REIT. In those circumstances, the other trust will be liable for all of the unpaid deposit and acquisition costs and is able to subscribe for 100% of US REIT.

If US REIT forfeits the US\$5 million deposit, DIT and DDF will not be entitled to be reimbursed by US REIT. If the US Joint Venture investment is not completed, then the forfeited US\$5 million deposit and all acquisition costs will be allocated amongst DOT, DIT and DDF in accordance with the proposed stapling ratios. If the reason for non-completion is solely the result of DOT, DIT or DDF unitholders voting against the Proposal then DBRE, in its personal capacity, will reimburse the trusts A\$5 million, to be allocated in accordance with the proposed stapling ratios.

DIT, DDF and US REIT will enter into a Shareholders’ Agreement under which each shareholder of US REIT will grant the other shareholder a call option over its shares. This call right will be triggered if the responsible entity of the applicable trust ceases to be either DBRF Management, DBRE or DeAM or their affiliates. The call will also be triggered upon certain other changes of control in the applicable trusts. If a shareholder exercises its call option, the exiting shareholder must sell all of its shares in US REIT at fair market value based on the net realisable value of the assets of US REIT (assuming an orderly realisation basis).

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US Joint Venture Arrangements

The US Joint Venture is to be governed by an Operating Agreement that covers a range of matters including formation, decision making, asset sales, accounts and sale or transfer of interests in the company. Key provisions in the Operating Agreement are summarised below:

- all decisions of the US Joint Venture require unanimous consent of Calwest and DRT except that DRT can make decisions in relation to the sale of any or all of the properties (or any part thereof) or the grant of any purchase rights or rights of first refusal to purchase all or any of the properties to a third party and change the accounting firm for the US Joint Venture. However, Calwest will have a right of first offer over any property for sale to a third party on the same terms;
- DRT has a right to call the purchase of the Deferred Consideration Amount for an amount capped at US\$20 million in net present value terms from 1 July 2005 to 30 June 2014. However, Calwest has a right to put the Deferred Consideration Amount to DRT from 1 July 2009 to 30 June 2014;
- after the second anniversary of the date of the Operating Agreement if DRT and Calwest are unable to reach agreement on any matter the parties will hold two meetings within a 30 day period to attempt to deal with the deadlock. In the event that, after that time the deadlock is unable to be broken, then a process to realise the US Joint Venture either by a special distribution or a cash payment based on independent valuations exists;
- if either DRT or Calwest fail to make a capital contribution then the other member can (among other remedies) initiate a procedure to sell its entire interest to the other member or to buy the other member's entire interest in the US Joint Venture for cash. The value to be paid would equate to the net realisable value of the assets of the US Joint Venture (assuming an orderly realisation basis) after allowing for any Deferred Consideration Amount due to Calwest;
- Calwest has an annual right to exit the US Joint Venture from 1 July 2014 either by the realisation of the US Joint Venture (by way of an in specie distribution or for cash) or to put its interest to DRT;
- no member shall directly or indirectly sell, assign, transfer, mortgage charge its interest without the approval (except for transfers of units in DRT);
- Calwest has a right to acquire DRT's interest if at any time:
 - none of DeAM, DBRE or DBRF Management continues to be responsible entity of DIT or DDF; or
 - a person has 50% or more of the voting power in DIT or DDF (provided such person continues to own 50% or more of US REIT).

If a trigger event occurs Calwest has a first right of offer to purchase DRT's interest in the US Joint Venture. Calwest shall issue a written notice no later than 60 days after the trigger event. If such notice is given Calwest will purchase DRT's interest in the US Joint Venture for a price equal to the net realisable value of the US Joint Venture (assuming an orderly realisation basis) less an amount for transaction costs of 0.75% and any amount due to Calwest under the Deferred Consideration Amount.

The US Joint Venture is to be funded 51% by debt (following redemption of the existing preference shares) at an interest rate effectively fixed for five years at 5.48%. Based on the acquisition cost (including income support and capital expenditure) the initial capital structure for the US Joint Venture (assuming redemption of the existing preference shares) is summarised below:

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US Joint Venture – Initial Capital Structure (US\$ millions)	
	Pro forma
US Industrial Portfolio	1,014
Borrowings	(514)
Net assets	500
DRT (80%)	400
Calwest (20%)	100
Total shareholders' equity	500

Source: DeAM and DBRE

7.5 RREEF America

RREEF America is the United States arm of Deutsche Bank's global DB Real Estate business. It was established in 1975 and was acquired by Deutsche Bank in 2002. RREEF America invests in direct property and publicly traded real estate securities on behalf of clients through a number of products including separately managed accounts, private investment vehicles and commingled funds. RREEF America also acts as investment adviser to a number of open end and closed end mutual funds. RREEF America has US\$20.4 billion of real estate assets under management including over 600 properties. Industrial properties are a core sector for RREEF America representing approximately 45% of assets under management.

The US Joint Venture has appointed RREEF America to act as:

- investment manager – providing investment, portfolio and property management services with respect to the US Industrial Portfolio and any new properties that the US Joint Venture elects; and
- manager of the US Joint Venture in accordance with the Operating Agreement.

For these services, RREEF America is entitled to receive fees as follows:

- acquisition fees equal to 0.50% of the gross purchase price of any property or ownership interest in property;
- disposal fees equal to 0.50% of the gross sales price of any property or ownership interest in property;
- financing fees equal to 0.25% of the loan obtained if RREEF America played a material role in securing such financing;
- an annual management fee of US\$700,000 per annum (subject to annual escalation by reference to the United States' inflation rate); and
- property management fees in the range of 2-4% of gross assets. Property management fees are defined to include leasing, capital expenditure management and general property management.

The US Joint Venture will become one of RREEF America's largest clients. RREEF America has appointed John Campbell as Portfolio Manager for the US Industrial Property Trust. This position is not exclusive and he will also act for other clients. Acquisition opportunities that fall within client mandates will be allocated or prioritised by RREEF America according to its formal policy for the allocation of acquisition opportunities between its clients. This process includes the screening of clients to determine their investment criteria and a rotating list of clients whereby clients with the longest elapsed period since being allocated an investment opportunity holds the highest priority position. RREEF America will continuously assess the risk of conflicts of interest and will advise the US Joint Venture promptly if it is unable to act for any reason.

In addition, RREEF America will retain an effective interest of 0.4% in the US Joint Venture (i.e. a 2% interest in Calwest's 20% interest in the US Joint Venture) and receive a fee from DBRF Management to cover outgoings.

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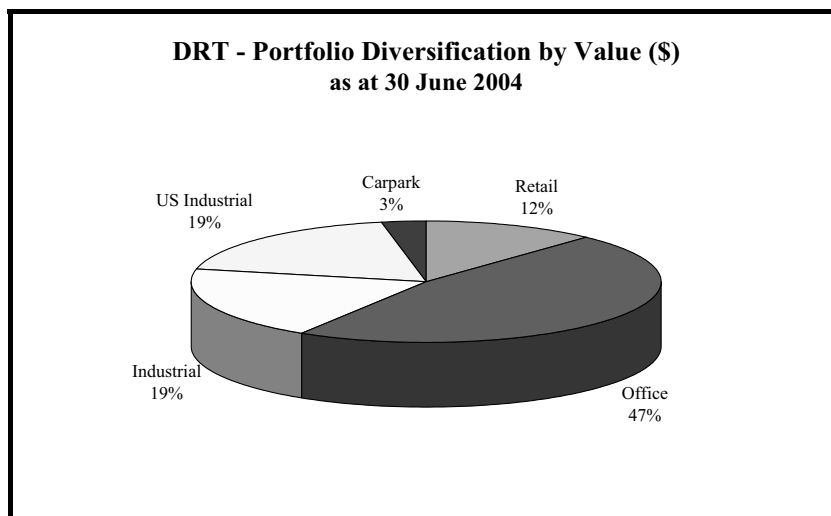


8 Profile of DB RREEF Trust

8.1 Operations and Strategy

DB RREEF Trust ("DRT") will comprise two core businesses, property investment and real estate asset and property management via its 50% interest in DBRF Holdings. Approximately 98% of forecast distributable income will be derived from property investment. DRT is expected to be one of the largest property groups listed on the ASX, with a market capitalisation in excess of \$3 billion.

DRT's property investments will initially comprise a \$6.2 billion portfolio of 172 properties across Australia (79%), the United States (19%) and New Zealand (2%). The diversification of the portfolio by asset type as at 30 June 2004⁴¹ is shown below:



Source: DeAM and DBRE

Upon completion of the Proposal and all future committed acquisitions and disposals, DBRF Management will also be responsible for the management of an additional \$3.9 billion of real estate assets under third party mandates (subject to consultation and consents from clients) and other assets.

Further details relating to DRT's property portfolio and funds under management are set out in Section 2.4 of the Explanatory Memorandum.

The operating strategy of DRT will be:

- the acquisition of new property related assets, in both existing markets and offshore with the aim of increasing the proportion of international assets to 35-50% of the total direct property portfolio over the long term;
- redeveloping properties or undertaking new developments;
- improving tenancy terms and reducing vacancies by maintaining and developing relationships with tenants;

⁴¹ Assumes completion of the Proposal and the DDF and DOT transactions (announced on 4 August 2004) on 30 June 2004.

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- improving the profitability of the real estate asset and property management business by growing funds under management while managing its cost structure;
- retaining funding flexibility and capacity for active capital management;
- exploring opportunities to enter into other property related businesses; and
- selectively selling non-core assets.

In executing its operating strategy, DRT will leverage its strategic relationships with DB Real Estate, RREEF America, CalPERS and Westfield to access specialist management expertise as well as new acquisition opportunities.

8.2 Directors and Management

DBRF Management will be the responsible entity of each trust (DOT, DIT, DDF and DRO) and the composition of its board is governed by the Shareholders Deed summarised in Section 6.5 of this report. DBRF Management's board is to comprise up to nine directors with the majority of directors to be independent of Deutsche Bank. The boards of DBRF Management and DBRF Holdings must be the same. The first board will be comprised of seven directors – three appointed by Deutsche Bank and four independent directors to be appointed by DRO. The directors appointed by Deutsche Bank will be Daniel Weaver, Shaun Mays and Victor Hoog Antink. The initial independent directors will be Christopher Beare (Interim Chairman), Stewart Ewen, and two others who are yet to be appointed.

Details of the senior management team are set out in Section 2.8 of the Explanatory Memorandum and largely comprise existing senior management of DB Real Estate Australia. Victor Hoog Antink will be the first chief executive officer of DBRF Management and DBRF Holdings.

8.3 Capital Structure and Ownership

Based on the number of units on issue in each of DOT, DIT and DDF and the issue of units under the DIT and DDF distribution reinvestment plans in August 2004, if the Proposal is implemented, DRT's initial capital structure will comprise 2,583.8 million stapled securities. In consideration for the 50% interest in DBRF Holdings, \$65 million worth of DRT stapled securities are to be issued to Deutsche Bank. Therefore, approximately 50.0 million units will be issued to Deutsche Bank assuming a theoretical security price of \$1.30. On this basis there would be 2,633.8 million stapled securities on issue following full implementation of the Proposal.

Based on 2,633.8 million stapled securities on issue:

- existing DOT unitholders will own 40.6% of DRT;
- existing DIT unitholders will own 19.4% of DRT;
- existing DDF unitholders will own 38.1% of DRT; and
- Deutsche Bank will own 1.9% of DRT.

The substantial securityholders of DRT are expected to be STC with a 15.9% interest, AXA with a 9.4% interest and Deutsche Bank with an interest (prior to any increase as a consequence of underwriting the distribution reinvestment plan) of 27.7% (see Section 9.12 of this report for discussion of Deutsche Bank's relevant interest).

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8.4 Financial Performance

The table below summarises the pro forma forecasts of the financial performance of DRT for the two years ending 30 June 2006:

DRT - Pro Forma Forecast Financial Performance (\$ millions)		
	Year ending 30 June	
	2005 pro forma forecast	2006 pro forma forecast
Net property income	471	548
Net management expenses	(21)	(21)
Other expenses	(8)	(7)
EBIT	442	521
Net interest expense	(155)	(186)
Profit before tax	287	335
Tax expense (including US withholding tax expense)	(2)	(4)
Net profit after tax	285	331
Outside equity interests	(6)	(16)
Net profit	279	315
Profit/(loss) on sale of property	22	-
Transaction costs	(41)	-
Net profit attributable to DRT stapled securityholders	260	315
Transfers from reserves	22	4
Distributable income	282	319
Statistics		
<i>Earnings per stapled security (cents)</i>	<i>9.8</i>	<i>11.0</i>
<i>Earnings per stapled security (normalised) (cents)⁴²</i>	<i>10.5</i>	<i>11.0</i>
<i>Distribution per stapled security (cents)</i>	<i>10.5</i>	<i>11.0</i>
<i>Distribution payout ratio</i>	<i>108%</i>	<i>101%</i>
<i>Tax deferred amount of distribution (cents)</i>	<i>4.6</i>	<i>5.2</i>
<i>Tax advantaged component of distribution</i>	<i>44%</i>	<i>47%</i>
<i>Management expense ratio</i>	<i>0.42%</i>	<i>0.38%</i>

Source: Explanatory Memorandum

The DRT Forecasts and the underlying assumptions are set out in detail in Sections 9.2 and 9.3 of the Explanatory Memorandum. PwC Securities has reviewed the DRT Forecasts and its opinion is set out in Section 12.4 of the Explanatory Memorandum.

The DRT Group Forecasts are based on the Directors' forecasts of the financial performance of each of DOT, DIT and DDF prepared on a stand alone basis. The assumptions adopted in preparing the Stand Alone Forecasts are set out in Sections 9.2 and 9.3 of the Explanatory Memorandum. The DRT Forecasts have been prepared on the following basis:

- the Proposal is implemented on 30 September 2004, and therefore the 2005 forecast includes 12 months of performance in respect of DOT, DIT and DDF and nine months of performance in respect of the Proposal;
- Australian Generally Accepted Accounting Principles ("AGAAP") apply throughout the period;
- income tax expense is expected to arise from DRT's 50% interest in the activities of DBRF Management and withholding tax is payable in respect of distributions received from US REIT;
- outside equity interests represent Calwest's 20% interest in the US Joint Venture;
- transaction costs associated with the Proposal of \$41 million have been forecast to be incurred in the year ending 30 June 2005; and
- a fully underwritten distribution reinvestment plan for the four distribution periods to 30 June 2006 at an assumed price of \$1.30 per stapled security.

⁴² Excluding transaction costs, asset sales, property valuations and goodwill amortisation.

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8.5 Financial Position

The pro forma financial position of DRT as at 30 June 2004 is summarised below:

DRT - Pro Forma Financial Position (\$ millions)	
	As at 30 June 2004 pro forma
Cash	62
Investment in properties	6,266
Equity accounted investments	110
Other assets	40
Total assets	6,478
Borrowings	(3,009)
Other liabilities	(238)
Total liabilities	(3,247)
Net assets	3,231
Outside equity interests	(73)
Equity attributable to DRT stapled securityholders	3,158
<i>Statistics</i>	
<i>Stapled securities on issue (millions)</i>	2,633.8
<i>NTA per stapled security</i>	\$1.20
<i>Gearing (net borrowings/(total assets less cash))</i>	45.9%

Source: Explanatory Memorandum

The DRT Pro Forma Historicals and the underlying assumptions are set out in detail in Section 9.5 of the Explanatory Memorandum. PwC Securities has reviewed the DRT Pro Forma Historicals and its opinion is set out in Section 12.4 of the Explanatory Memorandum.

The pro forma financial position of DRT as at 30 June 2004 is based on the audited financial position of DOT, DIT and DDF as at 30 June 2004 and the financial effect of all aspects of the Proposal that are expected to complete by 30 September 2004. Specifically, it assumes:

- the Proposal is implemented on 30 June 2004;
- AGAAP apply;
- completion of the acquisition of the 50% interest in DBRF Management and the 80% interest in the US Industrial Portfolio;
- completion of four of the six retail property transactions announced on 4 August 2004 between DDF, Westfield and STC (the other two property transactions will complete post 30 September 2004) and other committed sales; and
- units issued pursuant to the distribution reinvestment plans for DIT and DDF raised \$8 million.

Based on the pro forma financial position at 30 June 2004, DRT's gearing will be 45.9% after implementation of the Proposal. It is the current intention of DBRF Management that the long term gearing of DRT will be within the range of 40-45%.

Following completion of the transaction, DBRF Management will restructure its funding arrangements. It is intended that the recently refinanced short and medium term securitised debt facilities for DOT and DIT will remain in place while existing facilities for DDF will be refinanced. Additionally, DRT will enter into new facilities to fund the acquisition of the new assets, investments and transaction costs contemplated under the Proposal. Details of the proposed borrowing facilities are set out in Section 9.7 of the Explanatory Memorandum.

8.6 Distribution Policy

Distributions by DRT will comprise four components: a franked distribution from DRO and a trust distribution from each of DOT, DIT and DDF. Distributions are to be paid half yearly with the

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first distribution being for the six months ending 31 December 2004. It is proposed that DRT will distribute its reported profit after tax on an AGAAP basis after allowing for adjustments to reflect capital profits or losses or other items as considered appropriate. This will result in an overall distribution payout ratio for DRT of approximately 108% in the year ending 30 June 2005 and 101% in the year ending 30 June 2006.

If the Proposal is implemented, DRT will implement a distribution reinvestment plan under which securityholders may elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities priced at a discount to the weighted average market price of stapled securities during the pricing period. This discount will initially be 2% and the pricing period will include the five days up to and including the relevant record date and the five business days after the relevant record date. For the two years ending 30 June 2006, it is proposed that the distribution reinvestment plan will be underwritten by Deutsche Bank.

8.7 Hedging Policies

DRT will have exposures to interest rate fluctuations from borrowings denominated in A\$, US\$ and NZ\$. DRT will enter into fixed rate borrowings, interest rate swap agreements and interest rate options to hedge a portion of its underlying exposure against fluctuations in floating interest rates. The fixed rate hedging program will result in management of 70-80% of DRT's exposure to interest rate movements for the year ended 30 June 2005, with diminishing cover over the debt maturity profile.

DRT will derive earnings denominated in US\$ and NZ\$ from its investment in properties in the United States and New Zealand. DRT will enter into US\$ hedges to protect between 90-100% of its US\$ earnings in 2005 and 2006 against fluctuations arising from exchange rate volatility. Exposure arising in relation to NZ\$ earnings is minimal.

DRT will also own assets denominated in US\$ and NZ\$ from its investments in properties in the United States and New Zealand. To protect the A\$ value of DRT's net assets from the adverse affect of exchange rate fluctuations, DRT will hedge a portion of its US\$ and NZ\$ assets primarily by funding such assets in the respective foreign currency or else by entering into foreign currency swap arrangements.

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9 Evaluation of the Proposal

9.1 Approach

The proposed transaction can be properly regarded as a merger of DOT, DIT and DDF with a number of acquisitions undertaken to reposition the stapled entity. The reasons for regarding the stapling element of the Proposal as a merger are:

- the Proposal involves a direct swap by each unitholder of part of their existing interest for an interest in the other three trusts;
- DOT unitholders, DIT unitholders and DDF unitholders will hold 41.4%, 19.8% and 38.8% respectively of the stapled entity (prior to the issue of units to Deutsche Bank in consideration for the 50% interest in DBRF Management) broadly in line with their respective market capitalisation. No single trust swamps the others; and
- the Proposal will not result in a change of control of any of the trusts. Securities in DRT will be widely held. STC's unitholdings will convert from 31.5% of DOT and 16.0% of DIT to 15.9% of DRT. AXA's 24.8% unitholding in DDF will convert to 9.4% of DRT.

In Grant Samuel's opinion, assessment of whether the Proposal is in the best interests of DOT unitholders, DIT unitholders and DDF unitholders has seven elements:

- consideration of whether the proportion of the stapled entity to be held by each group of unitholders is equitable;
- consideration of the basis and terms of the acquisition of the 80% interest in the US Industrial Portfolio;
- consideration of the terms of the acquisition of 50% of DBRF Holdings and the implications of the partial internalisation of management for unitholders;
- consideration of whether the investment in DWPF is on fair terms;
- consideration of the financial impact of the Proposal on each group of unitholders;
- consideration of the advantages, benefits, costs, disadvantages and risks of the Proposal; and
- consideration of the alternatives realistically available to DOT, DIT and DDF.

The principal financial criterion for assessing whether the proportions of the stapled entity received by each unitholder is equitable has been addressed by comparing the proportion received with the relative contribution of DOT unitholders, DIT unitholders and DDF unitholders in terms of:

- the market value based on unit prices (see Section 9.2); and
- the estimated underlying value of each trust's assets (see Section 9.3).

The second element of the analysis involves consideration of the price to be paid for the 80% interest in the US Industrial Portfolio, the rationale for and process of identification of the investment opportunity and the implications for unitholders of the joint venture arrangements (see Section 9.4).

The third element of the assessment involves consideration of the price paid for the 50% interest in DBRF Holdings and consideration of the implications for unitholders of the partial internalisation of management (see Section 9.5).

The fourth element of the assessment involves analysis of the rationale for the investment in DWPF and the basis for the price to be paid in comparison to recent third party investments (see Section 9.6).

The fifth element of the assessment involves analysis of the impact of the Proposal on each group of unitholders in terms of financial parameters such as earnings, distributions, net tangible asset

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backing and financial gearing. This involves a comparison of the position of DOT unitholders, DIT unitholders and DDF unitholders assuming the Proposal is implemented with the position if it is not (see Section 9.7).

The sixth element of the analysis is set out in Sections 9.8 and 9.9 and involves consideration of a wide range of other factors including:

- the expected benefits of the Proposal in terms of strategic and competitive position, market and growth opportunities, cost savings and financial strength;
- the impact on the market for securities in the stapled entity including its liquidity, market rating and its attractiveness to investors;
- the change in the nature of the underlying investment held by each group of unitholders in terms of earnings prospects, financial risk, development and growth opportunities, diversification of activities and financial risk; and
- the expected tax consequences of the Proposal.

In a transaction of this nature there will be advantages and disadvantages. It is necessary to form an overall view of the trade off for unitholders. These will differ between the unitholders in each entity. Even within a single entity, they do not necessarily apply equally to all unitholders.

Finally, it is necessary to consider whether the Proposal will be likely to preclude alternative transactions that could be more advantageous to unitholders (see Section 9.10).

In Grant Samuel's opinion, the Proposal will be in the best interests of DOT unitholders, DIT unitholders and DDF unitholders if:

- the financial terms of the Proposal are equitable;
- the benefits and advantages of the Proposal outweigh any disadvantages; and
- the Proposal does not preclude alternative transactions which are likely to occur and which would be more advantageous.

9.2 Relative Contributions based on Market Values

The sharemarket provides an objective measure of the value of the equity in each entity. Although the share price reflects only marginal trades in portfolio interests, the price incorporates the influences of all available information on the company's prospects, future earnings and risk. Prima facie it is a fair basis for setting merger terms as long as there is a generally well informed market and prices do not reflect any other unsustainable factors such as takeover speculation.

Units in DOT, DIT and DDF are well traded and each entity is followed by five to seven analysts. The level of average weekly turnover on the ASX for each trust is around 1.3-1.7% of total units on issue or 1.7-2.2% of free float. The market capitalisation of DOT is approximately \$1.3 billion, DIT is \$0.6 billion and DDF is \$1.3 billion. Given their size the trusts are relatively well followed and analysed. It is reasonable to assume that the unit prices represent assessments of value by a reasonably well informed market. The market prices of the three trusts do not appear to be affected by any unsustainable factors. Management has advised that it believes there is no price sensitive information that has not been disclosed to the market in respect of any of the three trusts (all of which are, in any event, subject to the ASX continuous disclosure rules). Grant Samuel has also compared the Stand Alone Forecasts for each of the trusts to consensus forecasts from a range of analysts. This analysis does not disclose any material differences except that consensus forecasts show DIT's distributions growing by 1.3% and 2.2% in 2005 and 2006 while the Stand Alone Forecast indicates that DIT distributions will remain at 2004 levels. Nonetheless, Grant Samuel believes the analysis of relative market value contributions to be a fundamental test of the fairness of the exchange ratio in any merger as it reflects unbiased estimates of value. Arguably, it is the most appropriate measure of the value contributed, certainly in comparison to subjective estimates of value.

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The contribution of each group of unitholders in terms of the market value of the equity they currently hold can be compared with the proportion of the stapled entity that each group will hold after the stapling. The ownership interest of each group of unitholders is shown in the following table:

Ownership Interests in DRT ⁴³						
Issued Units at 31 August 2004 ⁴⁴	Before Proposal (millions)	After Consolidation (millions)	New Units Issued (millions)	Total Issued Units (millions)	DRT	
					Number of Stapled Units (millions)	Ownership
DOT	1,148.1	1,069.7	1,514.1	2,583.8	1,069.7	41.4%
DIT	338.6	511.6	2,072.2	2,583.8	511.6	19.8%
DDF	1,002.5	1,002.5	1,581.3	2,583.8	1,002.5	38.8%
DRO	na	na	2,583.8	2,583.8	na	na
Stapled entity					2,583.8	100.0%

DRO, a newly established trading trust, will issue 2,583.8 million units in total to DOT, DIT and DDF unitholders in the proportion each group of unitholders hold in the stapled entity.

Market values across a range of periods have been considered as the unit price on a particular day may be affected by a number of one off factors. The relative contributions are summarised below:

DRT - Market Value Contributions ⁴⁵			
Date/Period	DOT	DIT	DDF
Percentage ownership of stapled entity	41.4%	19.8%	38.8%
As at close of business on 20 July 2004	41.7%	19.7%	38.6%
Volume Weighted Average for periods up to and including 20 July 2004:			
1 week	41.9%	19.7%	38.4%
1 month	42.1%	19.6%	38.3%
3 months	42.3%	20.0%	37.7%
6 months	42.0%	20.2%	37.8%
12 months	42.1%	20.0%	37.9%
Simple Daily Average for periods up to and including 20 July 2004:			
1 week	41.9%	19.7%	38.4%
1 month	42.2%	19.7%	38.1%
3 months	42.2%	20.0%	37.8%
6 months	41.9%	20.2%	37.8%
12 months	42.1%	20.0%	37.9%
Range – daily prices over three months to 20 July 2004			
Minimum	41.7%	19.4%	36.8%
Maximum	43.0%	21.0%	38.6%

Source: IRESS and Grant Samuel analysis

The date of 20 July 2004 has been used as the reference point for the market value analysis as this was the last trading day prior to media speculation regarding the Proposal. In the period from 20 July 2004 to announcement on 4 August 2004 the unit prices for each trust increased by between 4-9%. Following announcement of the Proposal, the unit prices of each trust have declined and aligned with the stapling ratios. Adopting the date of 20 July 2004 eliminates the market speculation from the consideration of the market value contributions of each trust to DRT.

In addition, on 4 August 2004, both DOT and DDF announced property transactions in the normal course of business. However, both transactions involved new strategies for each trust. The acquisition of the NRM Tower in Auckland, New Zealand was DOT's first property acquisition

⁴³ Prior to the issue of units to Deutsche Bank in consideration for the 50% interest in DBRF Holdings.

⁴⁴ After units have been issued under DIT and DDF's distribution reinvestment plans in August 2004.

⁴⁵ The market value contributions are based on the issued units of each trust as at 30 June 2004. Any subsequent unit issues (e.g. under DIT and DDF's distribution reinvestment plans in August 2004) have been ignored for the purposes of this analysis.

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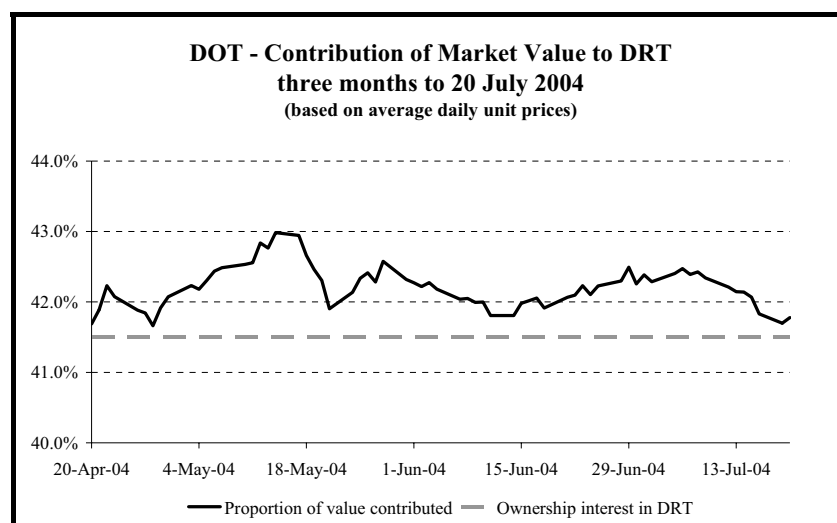
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outside of Australia. In DDF's case, it announced a new retail property strategy that would result in ownership of a 50% interest in a \$1.5 billion portfolio of regional retail shopping centres with Westfield holding the other 50%. In their own right these announcements may have resulted in market re-ratings for DOT and DDF. However, with the announcement of the Proposal on the same day, it is not possible to separately ascertain the impact of these property transactions on DOT and DDF's market value contribution to DRT.

The average prices have been calculated on both a volume weighted average price basis and a simple daily average. While volume weighted averages properly reflect the concentration of trading prices, simple averages can, in some circumstances, better reflect prices over a time period (as they will not be distorted by unusually heavy trading in a short period).

The contributions in terms of market value by each group of unitholders based on weighted average daily market prices over the three months to 20 July 2004 are illustrated in the following graphs:

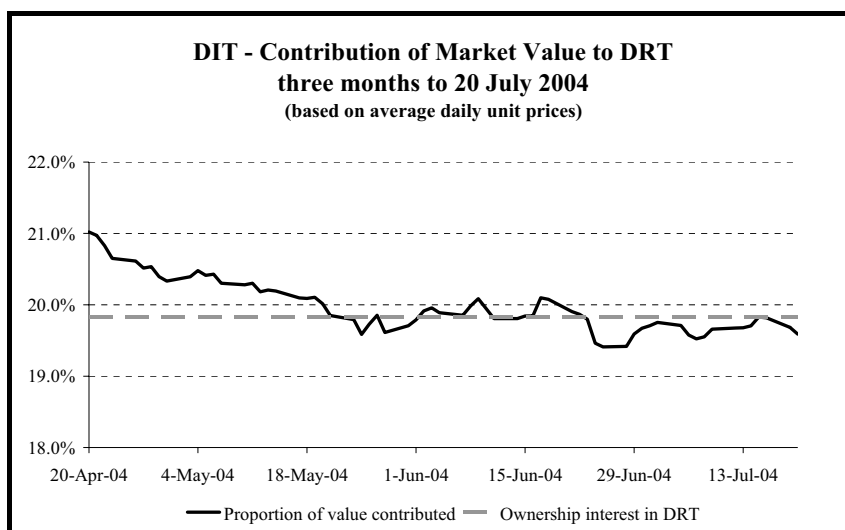


Source: IRESS and Grant Samuel analysis

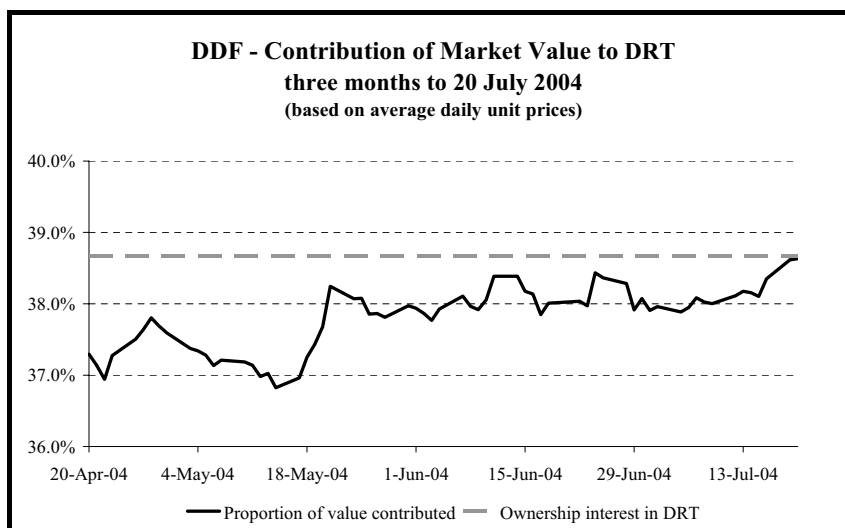
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Source: IRESS and Grant Samuel analysis



Source: IRESS and Grant Samuel analysis

The contribution of each group of unitholders in terms of market value has remained in a relatively small band when considering sharemarket prices over the three months to 20 July 2004. The minimum and maximum contribution is within a range of 1.3% for DOT unitholders, 1.6% for DIT unitholders and 1.8% for DDF unitholders. However, since around 20 May 2004 the range for each trust narrowed further with DIT trading in a particularly narrow band around the stapling ratio. This may reflect market speculation regarding consolidation within the listed property trust sector following Lend Lease Corporation's announcement on 24 May 2004 of a proposed merger with General Property Trust and the release of the Explanatory Memorandum for the Westfield merger on 26 May 2004. In the overall scheme of things these ranges are relatively narrow.

The above analysis shows that the ownership interests of each of DOT, DIT and DDF in DRT is in line with their contribution to value based on the most recent market prices. Alternatively, based

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on the closing prices on 20 July 2004, there is a slight discount for DOT unitholders and a slight premium for DIT unitholders:

DRT – Implied Prices				
Entity	Closing Price on 20 July 2004 (\$)	Stapling Ratio	Implied Value based on Stapling Ratio (\$)	Implied Premium (%)
DOT	1.18	0.93	1.17	-0.8%
DIT	1.89	1.51	1.90	+0.5%
DDF	1.26	1.00	1.26	-

Source: IRESS and Grant Samuel analysis

DOT unitholders will own 41.4% of DRT which is slightly below their contribution based on daily market prices and market prices over various periods in the three months to 20 July 2004 and over the longer term.

DIT unitholders will own 19.8% of DRT which is slightly above their contribution based on daily market prices and market prices in the three months to 20 July 2004. However, over the longer term, the DIT contribution is marginally higher than in July 2004.

For DDF unitholders, their 38.8% ownership of DRT is above their contribution based on daily market prices and market prices in the three months to 20 July 2004 and over the longer term. Therefore, the stapling ratio based on market prices appears to slightly favour DDF unitholders.

On the proposed stapling ratio DDF appears to be compensated at the expense of both DIT and DOT based on longer term share prices although the benefit narrows based on more recent trading. In part, this may be to recognise the regional retail portfolio strategy that DDF announced on 4 August 2004.

In summary, Grant Samuel believes that DIT unitholders, DOT unitholders and DDF unitholders are receiving an equitable share of the stapled entity relative to their contributions of market value. There will always be some discrepancies depending on which particular date or period is examined but in overall terms and taking into account prices over several months, the stapling ratios are consistent with market values.

9.3 Relative Contributions based on Underlying Values

9.3.1 Overview

Analysis of relative contributions of the three trusts based on sharemarket values is objective. However:

- the market value does not necessarily reflect non public information such as:
 - long term forecasts beyond 2005; and
 - management strategies and current initiatives; and
- the discount from (or premium to) underlying value at which units of the three trusts trade on the stock exchange may be different.

Accordingly, Grant Samuel has, for the purposes of this report, used alternative value parameters (estimated asset values) for DOT, DIT and DDF in order to compare the relative contributions of the respective group of unitholders. The analysis is both subjective and theoretical in as much as the assets are not intended to be sold.

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9.3.2 Asset Values

The value contribution of each group of unitholders was estimated based on the aggregate net asset value of each trust, calculated as follows:

DOT – Estimated Net Asset Value (\$ millions)		
	Low	High
Net tangible assets attributable to unitholders at 30 June 2004 (per audited accounts)	1,400.8	1,400.8
Value of hedge book at 31 July 2004	9.1	9.1
Acquisition of NRM Tower (announced 4 August 2004) ⁴⁶	-	-
Retained earnings to 30 September 2004 (forecast)	17.0	17.0
Underlying value	1,426.9	1,426.9
Number of issued units (millions)	1,148.1	1,148.1
Underlying value per unit	\$1.24	\$1.24

DIT – Estimated Net Asset Value (\$ millions)		
	Low	High
Net tangible assets attributable to unitholders at 30 June 2004 (per audited accounts)	554.0	554.0
Value of hedge book at 31 July 2004	(0.9)	(0.9)
Retained earnings to 30 September 2004 (forecast)	12.4	12.4
Underlying value	565.5	565.5
Number of issued units (millions) ⁴⁷	338.2	338.2
Underlying value per unit	\$1.67	\$1.67

DDF – Estimated Net Asset Value (\$ millions)		
	Low	High
Net tangible assets attributable to unitholders at 30 June 2004 (per audited accounts)	1,194.2	1,194.2
Value of hedge book at 31 July 2004	2.4	2.4
Increase in retail property values over book value at 30 June 2004	38.1	38.1
Regional retail portfolio transactions (announced 4 August 2004) ⁴⁸	-	-
Retained earnings to 30 September 2004 (forecast)	18.5	18.5
Underlying value	1,253.2	1,253.2
Number of issued units (millions) ⁴⁷	996.6	996.6
Underlying value per unit	\$1.26	\$1.26

The starting point for the net asset value of each trust was the current valuations of each of the properties undertaken by independent valuers. The valuations together with capital expenditure incurred post valuation represent the carrying values of the assets in the accounts at 30 June 2004. Grant Samuel relied on the independent valuations for the purposes of its report and did not undertake its own valuations of the properties. Given the nature of the evaluation, Grant Samuel does not have any reason to believe that it is not reasonable to rely on these independent valuations for this purpose.

However, Grant Samuel Property has reviewed these valuations for reasonableness. The review was on a “desktop” basis. It did not undertake a detailed investigation or verification exercise and did not interview the valuers. Based on this review, Grant Samuel:

⁴⁶ The acquisition of NRM Tower, Auckland is 100% debt funded and therefore has no impact on estimated net asset value of DOT for the purposes of this analysis.

⁴⁷ Number of units on issue prior to the issue of units under the distribution reinvestment plan.

⁴⁸ The net cost of the acquisitions and disposals of interests in properties under the regional retail portfolio strategy will be 100% debt funded and therefore there is no impact on estimated net asset value of DDF for the purposes of this analysis.

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- believes that the valuers were of appropriate standing;
- is satisfied that there were no restrictions in the scope of their engagement or other terms which may have impacted on the quality of the valuation; and
- became aware of nothing that suggested the assumptions, valuation parameters (eg. capitalisation yields) or overall values represented anything other than the valuer's best estimate of the fair market value of the respective properties.

This does not, however, imply that the valuations have been subject to any form of audit or due diligence.

Not all independent valuations reflected in the accounts were prepared as at 30 June 2004. Many are up to a year old as each of the trusts has recently adopted a three year rolling basis for valuation and at other times as necessary. Accordingly, it was appropriate to consider whether an allowance should be made for the increase in asset values since the valuations were completed. Grant Samuel Property has reviewed the carrying values for the DOT, DIT and DDF property portfolios and compared them to the aggregate of the individual independent valuations for each portfolio. The carrying value is based on the independent valuations but also includes capital expenditure incurred post latest valuation. In undertaking this review, Grant Samuel Property had regard to market evidence available in relation to capitalisation yields since valuation date and the nature of each of the portfolios.

On the basis of this review, no allowances for increases in asset values since the valuations were completed were made. The excess of carrying value over valuation for each of the portfolios was considered to adequately address movements in the market values except in relation to DDF's retail assets which are subject to sale agreements announced on 4 August 2004 with Westfield for approximately \$38.1 million higher than book value at 30 June 2004.

The mark-to-market value of the hedge books has been calculated by DBRE and DeAM management.

The property transactions announced by DOT and DDF on 4 August 2004 have no impact on estimated net asset value as they are 100% debt funded. However, these transactions are shown in the respective tables to acknowledge that DOT and DDF are contributing these assets to the stapled entity.

An adjustment has been made in respect of retained earnings from 30 June 2004 to 30 September 2004 for each trust. Under the Proposal, unitholders are to pool their distributable income from 1 July 2004 although the stapling and associated transactions will not be implemented until 30 September 2004 (i.e. unitholders will not be entitled to separately receive a distribution of the earnings generated by each trust prior to implementation of the Proposal). The adjustments made reflect the earnings for the three months ended 30 September 2004 (including transaction costs if the Proposal is not implemented) for each trust sourced from the Stand Alone Forecasts. In relation to DDF, the Stand Alone Forecast has been adjusted to exclude the profit on sale of 50% interests in three properties to Westfield as Grant Samuel was already allowed for the profit in its adjustment to retail property values at 30 June 2004.

Value per unit has been assessed by reference to units on issue prior to the issue of units under DIT and DDF's distribution reinvestment plans in August 2004, as the comparison of underlying value to market price will be made against a unit price on 20 July 2004 which is cum distribution.

In Grant Samuel's opinion, this analysis represents the full underlying value of each of the trust's assets. There is no additional general "control premium" over and above these values. To the extent any acquirer would be prepared to pay a price in excess of these values it would represent views about the scope to improve management of existing assets or to find additional redevelopment opportunities within the portfolio. This would arise only on a case by case basis.

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The net asset value, however, is a limited analysis in so far as it does not capture the extent to which sharemarket investors may attribute a higher or lower value than the asset value to reflect expectations about future actions or decisions such as acquisitions, redevelopments, currency hedging or currency movements. Markets tend to value property trusts primarily on yield (and yield growth) rather than asset backing.

The values adopted for the purposes of this report can be compared to the market value:

Underlying Value Compared to Market Price				
Entity	Market Price at 20 July 2004 (\$)	Underlying Value (\$ millions)	Underlying Value per Unit (\$)	Underlying Value Premium/(Discount) to Market Price (%)
DOT	1.18	1,426.9	1.24	+5.1%
DIT	1.89	565.5	1.67	-11.6%
DDF	1.26	1,253.2	1.26	-

The above table indicates that:

- DOT's estimated underlying value exceeds its market price by 5.1%. This is likely to reflect the market's view of DOT's lease expiry profile over the next two years and its current level of vacancies (approximately 10%);
- DIT's estimated underlying value is significantly below (11.6%) its market price. This discount reflects pricing of the units on the basis of yield rather than asset backing (which reflects the listed industrial property trust sub-sector as a whole) as well as the market's outlook for continued growth in distributions from DIT (which is inconsistent with the Stand Alone Forecast); and
- DDF's estimated underlying value is in line with its market price. DDF generally trades in a band around NTA. However, DDF's unit price has increased since June 2004 probably reflecting market speculation regarding consolidation of the listed property trust sector, particularly in relation to two of DDF's diversified sub-sector peers, General Property Trust and Stockland.

9.3.3 Contribution Analysis

The contribution to the stapled entity in terms of underlying value is summarised below:

DRT – Underlying Value Contributions			
Entity	Estimated Value Contribution (\$ millions)	Contribution to Stapled Entity (%)	Ownership of Stapled Entity (%)
DOT	1,426.9	44.0	41.4
DIT	565.5	17.4	19.8
DDF	1,253.2	38.6	38.8
Stapled entity	3,245.6	100.0	100.0

The analysis indicates that:

- DOT unitholders contribute more than the 41.4% interest they receive;
- DIT unitholders contribute less than the 19.8% interest they receive; and
- DDF unitholders contribute marginally less than the 38.8% interest they receive.

However, in considering this analysis it is important to take the following into account:

- the analysis is necessarily subjective and relies on judgements as to important assumptions, particularly about future asset growth and acquisitions;

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- the value contribution of DOT based on net assets may be overstated to the extent that its net assets exceed its sharemarket price. The lower sharemarket price may reflect the current level of vacancies (10%) and the large lease expiries in DOT's portfolio in the short term. DOT unitholders need to recognise that while DOT appears to be disadvantaged on the basis of underlying value contributions relative to DIT and DDF, the Proposal has the impact of substantially increasing distributions for DOT in the forecast years (an 11.4% increase in 2004/05 and a 13.3% increase in 2005/06); and
- the value contribution of DIT based on net assets may be understated having regard to the premium to NTA at which DIT trades. A higher sharemarket price may reflect expectations about future value increments from acquisitions or redevelopments (although redevelopments are reflected to some extent in the net assets). Taking this potential into account would be appropriate but cannot realistically be captured in net asset values. However, market expectations for distributions for DIT in the two years ending 30 June 2006 exceed the Stand Alone Forecasts.

In summary, Grant Samuel's view is that having regard to the issues outlined above and the imprecise nature of the analysis, the relative contributions of underlying value are not unreasonable compared to the relative share in the stapled entity received by investors in each trust. When taken together with the relative contributions of market value, the stapling ratios represent a fair balance of competing interests.

9.4 Investment in US Industrial Portfolio

If the Proposal is approved DRT (via DIT and DDF) is to acquire an 80% interest in the US Industrial Portfolio and enter into joint venture arrangements with Calwest (via Calwest Sub).

The US Industrial Portfolio represents a unique investment opportunity. DRT will acquire a majority interest in a large, well diversified portfolio of industrial properties in the United States and enter into a joint venture with CalPERS, the largest public pension fund in the United States. A transaction offering a portfolio of this size would be difficult to replicate. The investment opportunity arose as a consequence of a redirection of investment strategy by CalPERS. However, it is important to note that CalPERS (via Calwest) is not exiting the portfolio entirely and will remain as a 20% partner.

DRT's investment is to be made on the basis of full market value established through an arm's length, transparent process. Calwest appointed Secured Capital Corporation, a United States based real estate investment bank, to run a tender process seeking proposals from potential joint venture partners in the US Industrial Portfolio. Proposals were sought in February 2004. Twelve proposals were received and six proposals shortlisted. In late March 2004 DB Real Estate Australia was selected as Calwest's preferred partner subject to due diligence and completion. The final bid range was relatively narrow with the selection of the preferred party based on a combination of price, deal structure and suitability as a partner for Calwest.

The agreed purchase price is below the recent independent valuation prepared by CBRE for DB Real Estate Australia. CBRE valued the portfolio at US\$1,032.4 million (including income support and capital expenditure commitments) compared to the purchase price (for 100% and including income support and capital expenditure commitments) of US\$1,014.4 million. Further, recent evidence in the United States indicates that the industrial property market has strengthened significantly since March 2004.

The acquisition provides:

- the majority of the uplift in earnings and distributions for DRT securityholders and enhances the income growth prospects for each of the trusts relative to the status quo;
- a substantial foothold in the United States property market providing DRT substantial credibility for future growth by acquisition;
- access to growth opportunities in the existing portfolio from development of vacant land and redevelopment of certain properties;

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- exposure to recovering markets; and
- a strategic relationship with CalPERS and a strong client relationship with RREEF America (the US Joint Venture will be one of RREEF America's largest clients).

It is doubtful that this acquisition could have been made by DIT or DDF without the benefits of scale derived from the proposed stapling of DOT, DIT and DDF, particularly in relation to gearing capacity. On the other hand:

- DRT does not control the US Joint Venture although it is the 80% joint venture party. Other than decisions to sell properties or interests in properties and to change accounting firms, all decisions must be unanimous between DRT and Calwest. While this is not entirely satisfactory, it is the price paid for entering into a joint venture with a public pension plan and an investor the size of CalPERS (and the potential benefits of that relationship);
- Calwest is entitled to a deferred consideration amount (i.e. the Deferred Consideration Amount) if the internal rate of return for the US Joint Venture exceeds 10% per annum (effectively capped at 11% per annum). While this potentially increases the purchase price, if an amount is paid to Calwest under this arrangement, it means that DRT (and therefore unitholders) will have benefited from portfolio performance in excess of forecast. In any event, the amount payable to Calwest is capped at US\$20 million in net present value terms;
- the uplift in earnings and distributions as a consequence of the acquisition of the 80% interest in the US Industrial Portfolio is derived from an increase in leverage and the gearing arbitrage. The combination of the US Industrial Portfolio's initial yield of 7.7% (excluding income support) and debt at 5.48% (in US\$) provides a leveraged return on equity of approximately 10% for the US Joint Venture. In addition, DRT will fund its equity contribution to the US Joint Venture from debt (in US\$); and
- Calwest has the right to acquire DRT's interest in the US Joint Venture if at any time none of DeAM, DBRE or DBRF Management is the responsible entity of DIT or DDF or a person has a relevant interest in 50% or more of DRT. However, if this right is exercised, Calwest will pay DRT an amount equal to net realisable value (based on then market values) of the US Joint Venture less transaction costs of 0.75% and any Deferred Consideration Amount due to Calwest.

The acquisition of the US Industrial Proposal is an arm's length transaction and, on its own, does not require unitholder approval. Insofar as it forms part of the broader Proposal, Grant Samuel considers that it is being undertaken on a reasonable basis.

9.5 Acquisition of 50% Interest in DBRF Holdings

9.5.1 Terms of the Acquisition

Under the terms of the Proposal, DRT is to acquire from Deutsche Bank a 50% interest in the ordinary shares and shareholder loan notes in DBRF Holdings for \$70 million. \$65 million of the consideration is to be satisfied by the issue of stapled securities in DRT with the balance to be paid in cash for working and regulatory capital.

The future operations of DBRF Holdings will be governed by a number of agreements. The primary operating agreement is the Shareholders' Deed which provides a framework for the day to day operations of the company as well as setting out DBRF Holdings' right to provide real estate asset and property management services exclusively in Australia and New Zealand and the put and call options in relation to Deutsche Bank's shares and loan notes (see Section 6.5 of this report).

Deutsche Bank can put its shares and loan notes to DRT if a person acquires a relevant interest in 30% or more of DRT, Deutsche Australia ceases to be related to Deutsche Bank or Deutsche Bank disposes of all or substantially all of either its global DB Real Estate business or RREEF America. DRT can call on Deutsche Bank's shares and loan notes if Deutsche Australia ceases to be related to Deutsche Bank or Deutsche Bank disposes of all

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or substantially all of either its global DB Real Estate business or RREEF America. The put and call options may be exercised within six months after a trigger event and, if not exercised, the relevant option expires. The price to be paid for Deutsche Bank's shares and loan notes will be calculated by reference to the following formula:

$$\text{Price} = ((1.28\% \times \text{FUM}) \text{ plus NTA}) \times \frac{N_1}{N_2}$$

where:

FUM = funds under management at the date of exercise of option

NTA = consolidated net tangible assets of DBRF Holdings at date of exercise of option

N₁ = Deutsche Bank's shareholding

N₂ = total number of shares on issue

In Grant Samuel's opinion, consideration of DRT's acquisition of the 50% interest in DBRF Holdings involves three elements:

- consideration of the effect of the partial internalisation structure;
- consideration of the price to be paid for the initial 50% interest; and
- implications of the pricing basis for Deutsche Bank's remaining 50% interest under the put and call arrangements.

9.5.2 Partial Internalisation

The rationale for the proposed partially internalised management structure for DRT is that it better aligns the interests of securityholders and management while, at the same time, providing an ongoing strategic partnership between DRT and Deutsche Bank (particularly the global DB Real Estate business including RREEF America). However, the proposed partial internalisation of DRT's management structure is unique in the Australian market.⁴⁹ To date, the management of Australian listed property trusts has typically been structured as either fully external or fully internal.

Historically, the external management structure has been the accepted model for listed property trusts in Australia. The external management model provides unitholders with access to expertise beyond real estate asset and property management services (e.g. debt and equity capital markets expertise) and to acquisition pipelines (e.g. property developers delivering investment properties to the trust). Further, where an entity provided management services to more than one property investment vehicle, economies of scale would be expected (and therefore management fees charged to property owners could be lower). In Australia, the major proponents of the external management model today are Commonwealth Bank, Macquarie Bank Limited and ING Group.

However, the external management model has become increasingly unpopular with investors driven by perceptions of conflicts of interest, the main one being that the manager has a primary interest in achieving asset growth even at the expense of returns. Further, the internalisation of management effectively returns control over assets and strategy to the unitholders of the listed trust rather than allowing a third party responsible entity (potentially with little or no economic interest in the trust itself) to control decisionmaking (albeit that unitholders retain the legal power to remove that responsible entity). Management decisions under the internal model would reflect considerations important to unitholders. The internal model also eliminates the leakage of value from the trust represented by the external management fee (albeit that compensation is usually paid in the internalisation process). Consequently, in Australia there has been a significant trend to "internalise" management with stapling transactions being undertaken by Mirvac Group,

⁴⁹ The most comparable structure is that of CFS Gandel Retail Trust whereby the trust has an economic interest for a period of five years (from 2002) in Gandel Retail Management Pty Limited, its external provider of property services. However, the responsible entity for the trust is established under the external management model.

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Centro Properties Group, Investa Property Group, Ronin Property Group, Australand Property Group, Westfield and Lend Lease Corporation/General Property Trust (pending). Similarly, new listings such as Multiplex Group have also adopted the stapled structure. The internal model is clearly the preferred management structure for listed property trusts in Australia today.

The partially internalised management structure provides benefits to DRT in that:

- it ensures a continued relationship with Deutsche Bank generally and access to the global DB Real Estate platform specifically. DB Real Estate (including the RREEF America business) is one of the largest real estate businesses worldwide with more than \$78 billion in assets under management. This represents a significant potential source of growth opportunities for DRT. This relationship is likely to be important in future years as opportunities for significant growth in DRT's property portfolio in the Australian and New Zealand markets is limited. If the management function was fully internalised, DRT would no longer have access to this international specialist property platform unless it entered into commercial arrangements with DB Real Estate or similar parties (such as JP Morgan, ING or Morgan Stanley). The possibilities for this relationship were evident in the acquisition of the US Industrial Portfolio where Deutsche Bank's ownership of DB Real Estate Australia was fundamental in giving CalPERS comfort as to the suitability of DRT as a joint venture party. Consequently, the ownership structure for DBRF Holdings provides DRT access to DB Real Estate's global acquisition pipeline, gives DRT credibility in dealing with vendors of major assets, particularly in overseas markets and is expected to contribute to DRT's future growth; and
- DBRF Holdings gains exclusivity to operate in Australia and New Zealand using the Deutsche Bank and RREEF America trademarks (albeit for a limited period of three years unless mutually agreed); and
- it provides access to a new income stream (approximately 40% of DBRF Holdings' revenue relates to unlisted property trusts and direct mandates) albeit immaterial in the overall context of DRT's earnings. It also provides unitholders with access to economies of scale from the enlarged integrated real estate asset and property management business. It represents a solid base upon which to grow the business, particularly in relation to third party real estate mandates.

However:

- the partial internalisation of DRT's management offers only some of the benefits of a fully internalised or fully externalised management model and achieves neither model's benefits fully. The perceived conflicts of interest in the external management model is addressed in the proposed structure in that it aligns the economic interests of Deutsche Bank and DRT. However, even with the majority of directors on the DBRF Holdings board to be independent of Deutsche Bank and subject to unitholder approval (and the right of unitholders to nominate potential independent directors), unitholders do not have the unfettered control of DRT that they would have in a fully internalised arrangement;
- the range of activities that DBRF Holdings can undertake both within and outside Australia and New Zealand are restricted under its operating arrangements. It is not able to provide non-core business in Australia or New Zealand without the agreement of Deutsche Bank. It is not able to offer or invest in products which engage in direct real estate asset and property management services in jurisdictions outside Australia and New Zealand in which Deutsche Bank's global real estate business operates. Therefore, DRT's offshore real estate activities are effectively restricted to investment in real estate assets (directly or indirectly);
- partial internalisation of management effectively entrenches DRT's relationship with Deutsche Bank. Unitholders are unlikely to remove DBRF Management as responsible entity, even given poor performance, as they have a 50% interest in it.

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The implications for DRT unitholders of removal of DBRF Management are significant:

- DRT would retain its investment in DBRF Holdings with all of the provisions of the Shareholders' Deed in place. However, this action could cause third party mandates (particularly STC which represent 14% of the total management portfolio) some concern and put the earnings of DBRF Management at risk;
 - DRT would either have to establish its own internal responsible entity with real estate asset and property management business or to appoint an external manager. Either way DRT would incur additional costs although it has already made a significant investment in DBRF Holdings;
 - DRT would not be able to retain use of the "DB RREEF" name; and
 - the removal would be a trigger event for Calwest's call right for DRT's interest in the US Joint Venture. DRT would receive a price equal to the net realisable value of the US Joint Venture less an amount for transaction costs of 0.75% and any amount due to Calwest under the Special Interest; and
- the relationship with DB Real Estate does not mean that DRT will benefit from priority access to acquisition opportunities. DRT will be treated as a client in the United States by RREEF (in accordance with its established policies and procedures) and will have to make itself known to the wider DB Real Estate platform. It is possible, in fact, that the ownership structure for DBRF Holdings will make access to the DB Real Estate global platform by DRT more difficult than on an arm's length client basis due to the need for DB Real Estate to be "whiter than white" in its dealings with DRT.

9.5.3 Value Analysis

It is arguable whether it is necessary to compensate existing holders of real estate asset and property management rights for the loss of all or part of that income stream. In this case, unitholders of DOT, DIT and DDF are being asked to pay Deutsche Bank for a 50% interest in the company which holds the management rights for their assets as well as third party mandates.

Historically, holders of real estate asset and property management rights have been paid to give up the associated income stream (see transaction evidence in Appendix 1). However, unitholders have the legal right to remove the responsible entity and property manager and, in recent years, as consolidation in the listed property trust sector has accelerated and the external management model has fallen out of favour, so has the practice of paying for those rights. There have been circumstances in recent times where no compensation was paid to responsible entities which were subsequently removed (e.g. the takeover of Principal Office Fund by Investa Property Group in June 2003 and the takeover of AMP Shopping Centre Trust by Westfield Trust in May 2003) or where the responsible entity was removed by unitholders with no compensation (e.g. Lend Lease US Office Trust in October 2003) or where the responsible entity was threatened with removal by unitholders with no compensation (e.g. Grand Hotel Group in October 2003). This is less apparent when the responsible entity brings special expertise (e.g. in retail property management).

However, it is a fact that during the last five years payments have been made for management rights both upon internalisation of management rights (e.g. Homemaker Retail Property Trust and Westpac Property Trust) and in takeovers of listed property trusts (e.g. AMP Henderson was remunerated for the loss of management rights following the takeover of AMP Industrial Trust and AMP Diversified Property Trust albeit at a comparatively low percentage of funds under management).

The price to be paid by DRT for the 50% interest (\$70 million) implies a value of \$140 million for 100% of DBRF Holdings. This value implies the following value parameters:

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DBRF Holdings – Implied Value Parameters ⁵⁰		
	Variable (\$ million)	Implied Value Parameter
Multiple of revenue		
Year ending 30 June 2005 (forecast) ⁵¹	49.3	2.6
Year ending 30 June 2006 (forecast)	50.2	2.6
Multiple of EBITA		
Year ending 30 June 2005 (forecast) ⁵¹	16.8	7.7
Year ending 30 June 2006 (forecast)	18.6	7.0
Percentage of assets under management		
As at 30 June 2004 (actual)	9,164	1.42%
As at 30 September 2004 (forecast) ⁵²	10,140	1.28%
As at 30 September 2004 (excluding 80% of US Joint Venture) (forecast)	8,958 ⁵³	1.45%

The implied value parameters set out above have been compared to multiples implied by the prices at which transactions involving real estate asset and property managers have been completed and by the share prices of listed Australian companies whose activities predominantly include asset management (including property management). The market evidence is analysed in detail in Appendix 1 to this report. However, comparison of the implied value parameters to market evidence is difficult as:

- the activities of listed Australian companies involved in asset management are predominantly involved in equities fund management and not in the management of real estate assets or direct property management;
- entities with activities directly comparable to DBRF Holdings tend to be divisions of Australian listed companies within the Australian financial services sector (e.g. the funds management divisions of the retail banks, Macquarie Bank Limited and AMP Limited) or the Australian property sector (eg. Westfield, Stockland, Investa Property Group and Lend Lease Corporation) or divisions of large multinational financial services sector companies (e.g. ING);
- typically insufficient transaction details are publicly disclosed to enable detailed analysis to be undertaken. Often the only data available is the price and the value of assets under management and, consequently, the only valuation parameter able to be calculated is the percentage of assets under management. However, this rule of thumb is unsatisfactory as a valuation methodology as it generally fails to take account of the substantial differences in profitability that managers enjoy depending on the type of assets managed (eg. wholesale, retail), the form of management activity (which impacts staff levels and costs), scale and the security of tenure involved in the provision of asset management services.

Notwithstanding these comments, the price to be paid by DRT for the 50% interest in DBRF Holdings is a full price but, on balance, is not unreasonable. The following factors were taken into account in forming this view:

⁵⁰ DBRF Holdings is being restructured prior to implementation of the Proposal with certain asset management activities to be transferred to other Deutsche Bank subsidiaries and certain Deutsche Bank overheads will not continue in the future. Consequently, historical financial performance of DBRF Holdings is not comparable to the forecast financial performance and no multiples of historical revenue or earnings have been presented.

⁵¹ Based on annualised forecast for nine months ending 30 June 2005. The EBITA and EBITA multiples for 2005 differ to those shown on page 49 of the Investor Presentation dated 4 August 2004. The financial information in the Investor Presentation was the forecast for the year ended 31 December 2005.

⁵² Forecast funds under management as at 30 September plus all committed acquisitions and divestments.

⁵³ Forecast funds under management (excluding 80% of the US Joint Venture) at 30 September 2004 is lower than at 30 June 2004 as it is assumed that STC will redirect the cash proceeds from committed sales of properties to other investment categories.

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- the multiple of forecast 2005 EBITA implied by the purchase price of 7.7 times is within the range of EBITA multiples implied by recent transactions, although it is at the high end. However, it should be noted that the 2004/05 EBITA includes the transitional period and earnings are not expected to be representative until 2005/06 (i.e. the normalised EBITA multiple for 2004/05 is probably lower than 7.7 times and closer to the forecast 2006 EBITA multiple of 7.0 times). Recent transactions in the real estate asset and property management sector indicate that acquirers have generally been willing to pay 4.3-9.3 times historical EBITA and 4.6-7.9 times forecast EBITA (although meaningful earnings data is limited). Excluding revenue attributable to the management rights for DRT's 80% interest in the US Joint Venture, the forecast 2005 EBITA multiple implied by the purchase price is 9.5 times which is higher than recent transaction evidence (although the EBITA multiple would be lower if costs associated with the US Joint Venture income stream were excluded);
- the acquisition of the 50% interest in DBRF Holdings is being undertaken at a forecast yield in the range of 12.8-14.3% (based on the EBITA multiples implied for 2005 and 2006) which is attractive in comparison to the yields that DOT, DIT and DDF have traded in recent times (i.e. 7.8%, 8.6% and 7.6% respectively as at 30 June 2004). Therefore, the acquisition of the 50% interest in DBRF Holdings should be earnings and distribution accretive to unitholders;
- the implied percentage of funds under management of 1.28% (or 1.45% if funds under management relating to the US Joint Venture is excluded) is low in comparison to recent transaction evidence which indicates acquirers of real estate asset and property management have generally been willing to pay 2.0-5.9% of funds under management in the last five years, although in 2003 that range has been narrower at 2.0-3.2% of funds under management.

In particular, it compares favourably to the price (when measured as a percentage of funds under management) paid in 2003 in respect of the responsible entities of comparable trusts such as AMP Office Trust, AMP Industrial Trust and AMP Diversified Property Trust. In Grant Samuel's opinion, the AMP transactions are appropriate benchmarks for the DBRF Holdings' management portfolio. The AMP trusts included sector specific trusts (as are DOT and DIT) and a diversified trust (as is DDF) and AMP provided both asset and property management services (as in the case for DOT and DIT). Although these transactions occurred in takeover situations (where AMP Henderson was facing the potential loss of management fee income without compensation), in the case of AMP Industrial Trust and AMP Diversified Property Trust, AMP was compensated by the successful bidder effectively to ensure a smooth transition. In the case of the AMP Shopping Centre Trust, AMP was not compensated by Westfield Trust directly but retained the property management rights to approximately 60% by value of the property portfolio following the takeover. Interestingly, the transaction involving AMP Office Trust was essentially an internalisation of management and in order to obtain unitholder approval for the transaction AMP Henderson only sought compensation at the low end of recent transaction evidence. Further, given the wholesale nature of the balance of DBRF Holdings' management portfolio, it would be expected that an appropriate blended percentage of funds under management for DBRF Holdings would be lower than recent transaction evidence;

- DBRF Holdings enjoys economies of scale through its third party mandate business which in any event represents part of the total payment;
- the considerable uncertainty associated with the revenue of DBRF Holdings. None of its management mandates is absolutely secure – all are capable of being terminated (some more easily than others) with varying periods of notice. DBRF Holdings' management portfolio (excluding the US Industrial Portfolio) is comprised approximately 55% listed property trusts, 17% unlisted property trusts and 28% direct property management mandates. Its tenure in relation to the listed property trusts can

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only change following an ordinary resolution of unitholders (i.e. 50% of unitholders that are entitled to vote and who vote in person or proxy). However, the possibility of being removed as responsible entity is not out of the question as evidenced during 2003 when, as a consequence of takeovers of listed trusts responsible entities were removed or where unitholder meetings were called to consider replacement of the responsible entity.

In particular, the direct property mandate for STC represents approximately 23% of the total management portfolio (although it will reduce to 14% following settlement of the sales announced on 4 August 2004), has no fixed term and can be terminated by STC at any time. However, the STC mandate has existed since June 1997 (when the Axiom Funds Management business was sold out of STC to Deutsche Bank) and the relationship appears strong with DBRF Holdings having significant delegated discretion.

Similarly, the DWPF mandate currently represents 15% of DBRF Holdings' management portfolio (and will grow to 16.2% of the portfolio following completion of the acquisitions announced on 4 August 2004). The DWPF mandate is more secure than either the STC mandate or the listed property trust mandates because the responsible entity may only be removed by a vote of at least 50% of all unitholder votes and AXA, which has a 32% interest in DWPF, is obligated to vote in accordance with Deutsche Bank's directions on any proposal to remove DWPF's responsible entity.

In fact, the most secure mandate in the DBRF Holdings' management portfolio is the asset management fees relating to DRT's 80% interest in the US Joint Venture. However, it is arguable whether DRT should be paying for these management rights given DRT is already paying market value for the underlying assets;

- the forecast earnings of DBRF Holdings are subject to other uncertainties (in addition to the uncertainty of the security of mandates). The operating and cost structure of DBRF Holdings will be different to that of the business when it was wholly owned by Deutsche Bank. Accordingly, the forecast cost base reflects judgements based only partly on the historical evidence;
- the forecast earnings of DBRF Holdings may be understated to the extent that it excludes any performance fees to which the responsible entity may be entitled to from the DWPF and APF mandates. In addition, the forecasts also make no allowance for potential cost savings from any operational restructure as the group establishes its own organisational infrastructure;
- the price being paid for DBRF Holdings implies multiples that are realistic for the acquisition of 100% of the company (i.e. including a premium for control). However, DRT's 50% interest does not represent a controlling shareholding in DBRF Holdings. Although the majority of directors on the DBRF Holdings board and the chairperson are to be independent of Deutsche Bank and unitholders will vote to approve the initial appointment and the continuing appointment (every three years) of the independent directors, under the Shareholders' Deed certain matters require an ordinary shareholders resolution. Therefore, DRT will not have unfettered control of DBRF Holdings (although there are mechanisms in place by which DRT could obtain full control of DBRF Holdings);
- DBRF Management does not provide a unique business model or set of skills. A number of other parties (e.g. AMP, ING, Macquarie, Mirvac, Investa) could provide the required asset and property management services unlike in the case of the retail property assets of Westfield Trust and Westfield America Trust, which require the application of specialist integrated retail services (e.g. retail development and expansion, retail strategic analysis) that Westfield Holdings Limited provided; and

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- the purchase price of the 50% interest is not significant in the scheme of the overall group (approximately 2% of pro forma market capitalisation).

9.5.4 Acquisition of the Residual 50% Interest

DRT has entered into put and call options in relation to Deutsche Bank's 50% interest in DBRF Holdings. The put option may be helpful to potential bidders in so far as it provides a mechanism which should result in them being able to acquire 100% of DBRF Holdings (which would be critical to any merging of businesses). However, there is no guarantee that Deutsche Bank would exercise the put option if another party did obtain a holding of more than 30% (although it seems unlikely that it would want to be locked into a position where somebody else had control). It should be noted that there is no call option in these circumstances.

In addition, the call option may be useful for DRT in circumstances where Deutsche Bank changes its operations in such a way that the relationship ceases to have value.

The formula for the option exercise price is 1.28% of funds under management at the time the option is exercised. This percentage is the same as that implied by the acquisition of the initial 50% of DBRF Holdings (including the US Industrial Portfolio). This formula is attractive in so far as:

- it ensures consistency with the initial acquisition; and
- a formula based on funds under management is simple and unambiguous and provides less scope for manipulation than alternatives such as an earnings based formula.

However, there are drawbacks and risks. It locks in a formula which may not take account of the relative profitability of different lines of business (or any new funds management business) or changes in the profitability of existing business. For example, it may result in value that is a high multiple of earnings (relative to the acquisition multiple) in situations where:

- DBRF Management takes on substantial third party mandates on very low fees with marginal profitability;
- DBRF Management loses one of its substantial third party mandates and because of the economics of scale enjoyed by the business at present, the reduction in earnings is proportionately much greater than the reduction in funds under management. This issue may be of particular concern to a bidder concerned that third parties may cancel mandates after it achieves control of DRT; or
- operating costs increase substantially (e.g. unexpected increases in compliance costs).

Equally, it could prove to be advantageous to DRT unitholders in some circumstances. For example:

- if DBRF Management is successful in obtaining new third party mandates which incur little incremental cost;
- if DRT grows substantially but with a less than proportionate increase in the cost base; or
- operating cost savings are able to be achieved.

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**9.5.5 Summary**

The partial internalisation of management is unique. Nevertheless, it may prove to be an effective alignment of interests and strategic partnership for the benefit of unitholders. Deutsche Bank will be incentivised to help grow DBRF Holdings on a profitable basis. Deutsche Bank, through DB Real Estate, is one of the world's largest real estate businesses and its credibility was important in securing the US Industrial Portfolio. An ongoing partnership with Deutsche Bank and DB Real Estate may bring new opportunities to DRT. The price to be paid for the 50% interest in DBRF Holdings, at 7.7 times forecast 2004/05 EBITA, is a full price (particularly in a context where the responsible entity can be removed by unitholders for no compensation). However, the purchase price is, on available measures, consistent with or less than prices effectively paid in recent transactions and should be earnings accretive for DRT unitholders.

9.6 Investment in Deutsche Wholesale Property Fund

If the Proposal is approved, DBRE will remain the responsible entity of DWPF but will delegate its responsibilities to DBRF Management. DBRF Management will rebate to DRT an amount equal to the management fee it would otherwise receive in respect of DRT's investment in DWPF.

DRT may participate in a potential new \$170 million equity raising by DWPF to part fund an opportunity to acquire a \$312.5 million property portfolio. DRT (via DDF) will invest \$25 million for new units in DWPF and may elect to invest up to a further \$25 million in DWPF depending on the level of investor demand for the DWPF equity raising. DRT's investment in DWPF will be capped at 5% of DWPF's total issue units.

A description of DWPF is set out in Section 6 of the Explanatory Memorandum. DWPF is an unlisted property trust for wholesale investors (predominantly superannuation funds, master trusts, non-profit groups and large private investors) and are therefore "sophisticated". Set out below is a summary of the financial performance of DWPF for the five years ended 30 June 2004:

DWPF – Fund Performance	
Period	Net Return ⁵⁴ (per annum)
1 year	11.4%
2 years	10.9%
3 years	9.9%
5 years	10.2%

Source: DWPF

The rationale for DRT's investment in DWPF is:

- increased diversification in the investment portfolio;
- alignment of the interests of DRT securityholders (who will own 50% of DBRF Management which will be delegated to undertake DBRE's role as responsible entity) with the interests of DWPF unitholders.

However, it should be recognised that the investment is not sufficiently large enough to materially affect DRT's portfolio diversification.

DWPF's constitution sets out the basis for the calculation of the application price for new units and for the redemption of units in DWPF. In summary, application and redemption prices are based on the net asset value per unit after allowing for transaction costs. The DWPF unit price is calculated each business day based on the net asset value (which excludes DWPF distributable income). Accordingly, DWPF strikes two prices daily:

- the application price calculated as net asset value plus 3%;
- the redemption price calculated as net asset value less 2%.

⁵⁴ Net return includes both income and capital growth.

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Upon redemption a unitholder is also entitled to receive the redemption price plus the income entitlement per unit.

Based on the DWPF application price on 30 July 2004, DRT's \$25 million investment would be as follows:

DWPF – DRT Investment	
Units on issue at 30 July 2004	1,806,751,803
Application price per unit (as at 30 July 2004)	\$0.661145
Units issued under capital raising (\$170 million)	257,129,677
Total units on issue after capital raising	2,063,881,480
DRT investment amount	\$25,000,000
Number of units to be issued to DRT	37,813,188
DRT interest in DWPF	1.83%

AXA is the largest unitholder in DWPF but in the last six months has reduced its interest in DWPF to 32%. The units sold by AXA were acquired by a range of Australian institutional investors and there are now currently 122 unitholders in DWPF. These sales were undertaken on a special pricing basis agreed with AXA but essentially net asset value (i.e. largely eliminating the purchase/redemption spread). All issues of new units in DWPF in the last six months have been on the basis calculated in accordance with the constitution (i.e. net asset value plus 3%).

The terms of DWPF's capital raising have not yet been finalised. If it is undertaken in accordance with DWPF's constitution, units will be issued at a price equal to net asset value plus 3%. If the pricing for the capital raising is different to that established by the DWPF constitution, DRT will receive units on the same basis as other investors. DRT is not receiving any special benefits for making the investment – it is being done on an arm's length, commercial basis.

9.7 Financial Impact of the Proposed Stapling

9.7.1 Earnings

The DRT Forecasts assume that the Proposal is implemented on 30 September 2004 and are set out in Section 9.3 of the Explanatory Memorandum and summarised in Section 8.4 of this report.

The pro forma forecast earnings per DRT stapled unit for the year ending 30 June 2005 is 10.5 cents and for the year ending 30 June 2006 is 11.0 cents.

The effect of the Proposal on earnings per unit for each of the trusts is demonstrated by calculating the pro forma forecast earnings per unit for the years ending 30 June 2005 and 2006 on the basis that the Proposal is implemented on 30 September 2004:

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DRT – Pro Forma Impact on Forecast Earnings per Unit ⁵⁵				
Period	No Stapling (cents)	Pro Forma Assuming Proposal is Implemented		
		cents	Change	
			cents	%
Year ending 30 June 2005				
DOT	8.3	9.8	+1.5	+18.1%
DIT	15.0	15.9	+0.9	+6.0%
DDF	10.0	10.5	+0.5	+5.0%
Year ending 30 June 2006				
DOT	9.0	10.2	+1.2	+13.3%
DIT	15.4	16.6	+1.2	+7.8%
DDF	10.0	11.0	+1.0	+10.0%

Note: Assumes that the Proposal is implemented on 30 September 2004.

For the year ending 30 June 2005, DOT unitholders will benefit from a significant increase in pro forma earnings. The uplift received by DIT and DDF unitholders is smaller at 0.9 cents (approximately 6%) and 0.5 cents (approximately 5%) respectively.

For the year ending 30 June 2006, the impact is similar except that the uplift received by DOT unitholders is less substantial at approximately 1.2 cents per unit or 13.3%. DIT and DDF unitholders benefit from larger increases in earnings per unit compared to the prior year. The increase for DDF is a combination of no growth in DDF's earnings per unit on a stand alone basis and an increase in DDF's pro forma earnings per unit.

However, it should be noted that the increase in pro forma earnings per unit for each of DOT, DIT and DDF is principally as a result of the acquisition of the US Industrial Portfolio which is 51% debt financed in US\$ denominated debt. The US Industrial Portfolio yield of approximately 7.7% (excluding income support) is effectively 51% US\$ debt funded at a rate of approximately 5.48%. DRT's equity in US REIT will be 100% US\$ debt funded at a rate of approximately 4.3%.

The acquisition of the 50% interest in DBRF Holdings and DRT's investment in DWPF provide minimal increases in earnings.

9.7.2 Distributions

If the Proposal is implemented, DOT unitholders, DIT unitholders and DDF unitholders will become securityholders in DRT. Distributions paid will depend on the performance of each of the trusts in the stapled entity. The pro forma forecast distribution per stapled security for the year ending 30 June 2005 (assuming that the Proposal was implemented on 30 September 2004) is 10.5 cents and for the year ending 30 June 2006 is 11.0 cents.

The effect of the Proposal on distributions per unit for each of the trusts is demonstrated by comparing the Stand Alone Forecasts for the years ending 30 June 2005 and 2006 to the pro forma forecast distribution per stapled security (converted to the equivalent pre stapling units) for the same period:

⁵⁵ Earnings per unit is stated before transaction costs, assets sales, property revaluations and goodwill amortisation (as applicable).

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DRT - Pro Forma Impact on Forecast Distributions per Unit				
Period	No Stapling (cents)	Pro Forma Assuming Proposal is Implemented		
		Cents per pre stapling unit	Change	
			cents	%
Year ending 30 June 2005				
DOT	8.8	9.8	+1.0	+11.4%
DIT	15.8	15.9	+0.1	+0.6%
DDF	9.8	10.5	+0.7	+7.1%
Year ending 30 June 2006				
DOT	9.0	10.2	+1.2	+13.3%
DIT	15.8	16.6	+0.8	+5.1%
DDF	10.0	11.0	+1.0	+10.0%

Note: Assumes that the Proposal is implemented on 30 September 2004.

For the years ending 30 June 2005 and 2006, DIT, DOT and DDF unitholders benefit from an increase in distribution per unit on a pro forma basis. However, the increase is not equal with DOT unitholders benefiting from the largest increase in distribution per unit. The benefit to DDF unitholders is not as substantial but nonetheless significant at 0.7 cents per unit (7.1%) and 1.0 cents per unit (10%) respectively. The benefit to DIT unitholders is modest at 0.1 cents per unit (0.6%) in 2004/05 and 0.8 cents per share (5.1%) in 2005/06 relative to the position if the Proposal does not occur.

The increase in distributions is primarily due to the acquisition (and gearing) of the US Industrial Portfolio rather than as a result of gains from stapling the three trusts (cost savings are not material). The composition of the forecast distributions for the two years ending 30 June 2006 is set out below:

DRT - Composition of Forecast Distributions					
Component	Contribution to Distribution				
	30 June 2004	30 June 2005	Increase	30 June 2006	Increase
	(\$ million)	(\$ million)	(%)	(\$ million)	(%)
Existing level of distributions (Stand Alone)	237.9	274.4	+4.0%	257.1	+3.9%
Earnings from US REIT	-	22.4		26.7	
Earnings from 50% interest in DBRF Holdings	-	5.4		7.9	
Earnings from investment in DWPF	-	1.0		1.8	
Other (abnormals, reserve transfers, interest savings from distribution reinvestment plan)	9.2	5.9		25.6	
Total distribution	247.1	282.1	+14.2%	319.1	+13.1%

Note: Assumes that the Proposal is implemented on 30 September 2004.

The distributions paid by DOT, DIT and DDF carry tax deferred and taxable components. If the Proposal is implemented, unitholders in DRT will receive distributions that will be split between a franked distribution amount (from DRO), a tax deferred distribution amount, a foreign tax credit amount and a taxable distribution amount. The post tax position of individual unitholders will vary depending on their marginal tax rate and their ability to utilise the tax deferred, franked and foreign tax credit components of any distribution. However, it should be noted that the component of the distribution that will be franked or carry a foreign tax credit will be a relatively small proportion of the total distribution (less than 11% in the first two years).

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9.7.3 Financial Position and Net Tangible Asset Backing

The pro forma financial position of DRT as at 30 June 2004 on the basis that the Proposal was implemented on that date is included in Section 9.5 of the Explanatory Memorandum and is summarised in Section 8.5 of this report. The impact of the Proposal on pro forma NTA backing and gearing is set out below:

DRT - Pro Forma Impact on Financial Position at 30 June 2004				
Parameter	Before Proposed Stapling	Pro Forma After Proposal		
		Amount	Change	
			Amount	Proportion
NTA per existing unit				
DOT	\$1.22	\$1.12	-\$0.10	-8.2%
DIT	\$1.64	\$1.81	+\$0.17	+10.4%
DDF	\$1.20	\$1.20	-	-
Gearing (Net borrowings/(Total assets - cash))				
DOT	37.5%	45.9%	+8.4%	+22.4%
DIT	36.0%	45.9%	+9.9%	+27.5%
DDF	27.7%	45.9%	+18.2%	+65.7%

The financial positions of the individual trusts as at 30 June 2004 have not been adjusted to reflect any fair value adjustments (such as the mark-to-market of hedging arrangements), the impact of post 30 June 2004 transactions (such as DDF regional retail strategy), the payment of final distributions and the issue of units under DIT and DOT's distribution reinvestment plans. Some (but not all) of these adjustments have been reflected in the pro forma financial position of DRT as at 30 June 2004. In particular, the gearing for the trusts prior to stapling does not reflect:

- the acquisition of NRM Tower for NZ\$110.4 million by DOT. This acquisition is expected to settle in April 2005 and will be fully debt funded; and
- the net cost to DDF of \$100.4 million for the regional retail portfolio transactions which are expected to complete over the period to March 2005.

It should also be noted that not all of these transactions are reflected in gearing after the Proposal as the pro forma financial position reflects only those transactions that are expected to be completed by 30 September 2004. Consequently, if all the transactions were reflected, the standalone and the pro forma gearing ratios would not be higher for each trust. However, the conclusions to be drawn from the analysis would be the same. Accordingly, the changes shown above are not on a completely "like for like" basis but are nevertheless indicative of the impact.

The Proposal results in a substantial decrease in DOT's pro forma NTA backing and a substantial increase in DIT's pro forma NTA backing, whereas the pro forma NTA backing of DDF is broadly unchanged. The movements in pro forma NTA backing are a result of a combination of factors, principally:

- the percentage ownership interests of each trust in DRT compared to their underlying value contributions; and
- the discount or premium to NTA at which the trusts currently trade.

More significantly, the Proposal results in an increase in gearing for all three trusts. This is primarily as a result of the acquisition of the US Industrial Portfolio – the acquisition structure for which involves 51% gearing within the US Joint Venture and 100% gearing of DIT and DDF's investment in US REIT. The initial gearing of DRT upon implementation of the transaction will be high (45.9%) and it is proposed to decrease gearing to approximately 43% by 30 June 2006 (with a long term gearing target of 40-45%). The reduction in gearing is to be achieved by a combination of asset sales and the underwritten

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distribution reinvestment plan. DDF's gearing increases significantly more than DOT and DIT under the Proposal. DDF is lowly geared because its debt structure is predominantly unsecured in comparison to DOT and DIT which have securitised debt structures. DDF's debt matures in the next twelve months and, in the absence of the Proposal, it expected to be refinanced using securitised structures.

Despite the increase in gearing, management have advised that Standard & Poors have indicated that there will be no negative impact on the existing credit ratings of DOT, DIT and DDF as a consequence of the Proposal.

9.8 Advantages and Benefits of the Proposed Stapling

9.8.1 Enhanced Growth Outlook

In a rapidly consolidating and sophisticated listed property trust sector, DOT, DIT and DDF face significant challenges to secure superior returns for unitholders. Although each trust is substantial in its own right with some outstanding property assets, even property trusts with market capitalisations of more than \$1 billion are now in danger of being considered sub-scale.

Although the market capitalisation of the listed property sector has continued to increase (currently around \$70 billion up from \$28 billion in 1999), the number of property trusts listed on the ASX has reduced from a peak at June 1999 of 61 trusts to around 45 trusts today. This has been the result of several waves of merger and acquisition activity as trust managers have sought increased sub-sector relevance, overall increase in scale, diversification and increased growth potential for earnings streams. Sector consolidation is continuing with proposals announced in May-August 2004 in relation to General Property Trust, Centro Properties Group/Prime Retail Group, Principal America Office Trust/Macquarie Office Trust and DOT/DIT/DDF.

Given this environment each of DOT, DIT and DDF face significant challenges to secure superior returns for their unitholders. In this regard:

- DOT is viewed as having a high quality underlying property portfolio but with vacancy levels above its peers which have left it exposed to poor office leasing fundamentals, particularly in its key Sydney central business district market. The vacancy issues have been exacerbated by the expiry of previous income support arrangements and a depleted undistributed income reserve that had previously assisted in maintaining distribution levels to investors. DOT trades at a lower yield than its listed sub-sector peers (although it is of a similar size) and at a discount to NTA (as at 20 July 2004). The office sector generally trades at a small premium to NTA, below the levels of the other listed sub-sectors;
- DIT is the smallest of its listed sub-sector peers although it trades at a higher yield. Its size is seen as presenting a significant cost of capital disadvantage that inhibits its ability in bidding for new developments and acquisitions. DIT has a not insignificant medium-term lease expiry risk although recent leasing progress has improved this risk profile. The listed industrial sub-sector has enjoyed a strong recent following and DIT has benefited from this broader market support for industrial property; and
- DDF is generally categorised with General Property Trust, Stockland and Mirvac Group and is only a fraction of the size of these large peers but trades at higher yields. However, market commentators' views of this sub-sector have been particularly skewed by merger activity and speculation. DDF's retail assets have performed well although they were thought to have limited upside. However, the transaction announced on 4 August 2004 provides a more substantial retail strategy. Overall the earnings growth for DDF has been below its peers and future growth will be driven by leasing of office and industrial assets. It is viewed as being growth constrained.

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The expected growth in distributions for each of the trusts over the short to medium term in the absence of the Proposal is relatively modest. The cost of capital for each of the trusts is high in comparison to yields at which properties are changing hands, making it difficult for any of the trusts to grow by acquisition without increasing leverage, diluting equity returns or reducing asset quality.

The Proposal has been designed to address the issues faced by DOT, DIT and DDF in the current property environment. It repositions the investment proposition for unitholders and delivers greater opportunities for growth than would otherwise be available on a stand alone basis:

DRT – Growth in Distributions (cents per security)							
Entity	Year end 30 June					Annual Growth Rate (%)	
	2002 actual	2003 actual	2004 actual	2005 forecast	2006 forecast	Four Years	One Year
DOT	10.0	10.0	9.0	8.8	9.0	-2.6%	+2.3%
DIT	15.0	15.4	15.8	15.8	15.8	+1.3%	-
DDF	9.0	9.3	9.3	9.8	10.0	+2.7%	+2.0%
DRT	na	na	na	10.5	11.0	na	+4.8%

The higher growth for DRT is largely provided through the acquisition of the US Industrial Portfolio. The acquisition provides for a higher growth rate in distributions than it would have been for each of the trusts under the status quo. In the short term the primary driver is recovery in the underlying property assets (i.e. declining vacancies). In the medium term this will be supplemented by development and redevelopment opportunities.

Solid growth in operating income is anticipated which will be magnified by the leverage in the ownership structure.

The Proposal also provides the capacity for higher growth through:

- a platform for continued growth through acquisition (particularly in the United States);
- investment flexibility from a more diversified asset base and broader mandate;
- leveraging strategic relationships with Deutsche Bank, RREEF America, CalPERS and Westfield;
- new (non capital based) business activities;
- organisational resources and skills to expand property sector activities; and
- improved access to capital.

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**9.8.2 Liquidity and Index Inclusion**

Each of the three trusts is medium sized and well traded:

Deutsche Trusts – Trading and Liquidity			
Entity	Market Capitalisation on 20 July 2004 (\$ billions)	Turnover for 12 months ended 20 July 2004 as % of Free Float ⁵⁶	Key Index Inclusion
DOT	1.4	107%	S&P/ASX 200 Property Trust Index
DIT	0.6	95%	S&P/ASX 200 Property Trust Index
DDF	1.3	119%	S&P/ASX 200 Property Trust Index

Although the trusts are included in the S&P/ASX 200 Property Trust Index:

- the trusts represent a small percentage of the index with DOT, DDF and DIT representing 1.4%, 1.5% and 0.8% respectively;
- the index inclusions have been reduced for:
 - DOT (to 67%) because of STC's 31.5% interest in DOT;
 - DIT (to 82%) because of STC's 16.0% interest in DIT; and
 - DDF (to 74%) because of AXA's 24.8% interest in DDF.

In addition, DOT is included in the Morgan Stanley Capital Australia Index ("MSCI Australia") with a 0.27% weighting in that index.

The Proposal will combine all of the trading into a much larger single pool which should enhance the overall liquidity of trading in DRT stapled securities. The benefit should be seen in lower buy/sell spreads and greater depth of trading. However, it is expected that (at least) the direct interests of STC (15.9%) and AXA (9.4%) post implementation of the Proposal will be excluded from free float in the calculation of index inclusion for DRT (i.e. only approximately 75% of DRT's market capitalisation will be included in the S&P/ASX 200 Property Trust Index). Consequently DRT's weighting in the index may increase from a combined 3.7% at present to approximately 4% (depending on market prices at the time). This is not a substantial increase and therefore there is unlikely to be a significant change to trading as a consequence of index weighting.

Nonetheless, there should be a more general increase in investor demand which may underpin the market value of DRT's stapled securities. DRT will be one of the largest listed property trusts on the ASX (by market capitalisation) with a well diversified asset base and some potential upside from its United States asset base. As such it should attract greater attention from listed property investors who may have been less inclined to invest separately in DOT, DIT and DDF. At the same time, there will be a loss of interest from investors wanting to obtain sector specific exposure.

9.8.3 Operating Cost Savings

The Proposal is expected to result in some operating cost savings. Potential savings have been identified in such areas as annual reports, shareholder communications, company secretarial and audit. Management has forecast total operating cost savings of approximately \$0.25 million per annum, which has been reflected in the pro forma financial forecasts. At the same time, it should be recognised that these savings are relatively small, representing less than 1% of distributable income.

No allowance has been made for cost savings from efficiency improvements or from a restructuring of the operations of DBRF Holdings and DBRF Management post

⁵⁶ The free float has been calculated on the same basis as the indices.

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implementation of the Proposal. However, under the Proposal the constitutions are being amended to establish a flat management fee structure and to eliminate performance fees. Management fees are to be capped at 1% of gross assets and DBRF Holdings has committed to a fee of 0.45% of gross assets for Australia and New Zealand assets and 0.35% of the 80% interest in the US Joint Venture. Upon implementation of the Proposal there will be no performance fees payable in relation to DRT assets although some performance fees will continue in relation to DWPF and direct mandates managed by DBRF Holdings. The change to the management fee structure will result in lower management expenses incurred by unitholders.

9.8.4 Control

At present, STC has a 31.5% interest in DOT and a 16.0% interest in DIT. AXA has a 24.8% interest in DDF. The STC and AXA holdings, although not controlling interests, confer significant influence over DOT, DIT and DDF. The next largest unitholders have interests of less than 6.0%.

If the Proposal is implemented, STC will own a 15.9% interest in DRT and AXA will own a 9.4% interest in DRT. The dilution of STC and AXA does not change the control situation materially. STC and AXA will remain the largest unitholders. However, their influence will be reduced. From the perspective of DOT and DDF unitholders there is a reduction in control and a more widely dispersed register. For DIT unitholders, there is no effective change (the largest unitholder has 15.9%). On the other hand the influence of STC and AXA is accentuated as both STC and AXA have substantial interests in the direct mandates held by DBRF Management and in which DRT is acquiring a 50% interest. STC's direct property mandate represents approximately 14% of DBRF Holdings' ongoing management portfolio and AXA's interest in DWPF and its direct mandates represent approximately 10.4% of DBRF Holdings' management portfolio.

In addition, at 20 August 2004 Deutsche Bank held relevant interests of 36.1% in DOT, 18.2% in DIT and 19.9% in DDF by virtue of:

- holdings through investment management mandates of DeAM (including amongst other mandates, STC's interest in DOT (31.5%) and DIT (16.0%) and AXA's interest in DDF); and
- principal positions held by the securities trading subsidiaries of Deutsche Bank.

Following implementation of the Proposal, Deutsche Bank's relevant interest in DRT will be 27.7% comprising 25.8% as a consequence of the stapling plus 1.9% following the issue of units to Deutsche Bank on the acquisition of the 50% interest in DBRF Holdings. Further, as it is proposed that Deutsche Bank underwrite the DRT distribution reinvestment plan for the two years ending 30 June 2006, Deutsche Bank's relevant interest could increase above 27.7% depending on any shortfall under the dividend reinvestment plan. This situation triggers certain provisions under the Corporations Act which are considered in Section 9.12 of this report. However, from a practical point of view there is no control implication. Deutsche Bank does not have actual control over the STC and AXA interests in which it is deemed to have a relevant interest.

Other than the STC, AXA and Deutsche Bank unitholdings, DRT will generally have a widely dispersed register which opens up the theoretical possibility of investors receiving a control premium through a takeover at some future date. The size of DRT will not be so great as to represent a significant impediment to takeover. It will be one of the largest listed property trusts in Australia but its market capitalisation of approximately \$3 billion leaves it within the reach of most potential acquirers.

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9.8.5 Market Value Implications

Prior to 20 July 2004, DOT, DIT and DDF were trading at yields (based on 2004/05 forecasts) of 7.4%, 8.4% and 7.7% respectively. These yields are broadly consistent with each trust's peers. The following table shows the implied yields based on market prices at 13 August 2004 for major listed Australian property trusts including DOT, DIT and DDF as well as the various stapled groups:

Australian Listed Property Trusts ⁵⁷						
Company	Market Capitalisation (\$millions)	Premium to NTA (%)	Distribution yield (%)			Property Investment (%) ⁵⁸
			2003/04 actual	2004/05 forecast	2005/06 forecast	
Stapled Securities						
Westfield	25,279.6	75.0% ⁵⁹	na ⁶⁰	6.9%	7.3%	90.0% ⁵⁹
Stockland	6,821.8	43.2%	6.9%	7.1%	7.5%	76.7%
Mirvac Group	3,132.7	39.4%	7.4%	7.7%	8.1%	44.2%
Investa Property Group	2,755.0	8.1%	8.6%	8.7%	8.7%	93.4%
Centro Properties Group ⁶¹	2,711.4	38.9%	7.2%	7.6%	7.9%	86.4%
Multiplex Group	2,051.1	31.5% ⁶²	7.5% ⁶³	8.1% ⁶⁴	8.3%	40.9% ⁶²
Australand Property Group	1,337.6	17.0%	8.2%	10.2%	10.2%	39.8%
Ronin Property Group	1,063.5	2.6%	8.4%	8.4%	8.4%	100.0%
James Fielding Group	401.4	20.1%	8.4%	8.6%	8.8%	97.9%
Valad Property Group	272.7	29.6%	9.6%	9.6%	9.8%	100.0%
Industrial Property Trusts						
Macquarie Goodman Industrial Trust	3,046.2	25.4%	7.7%	8.0%	8.2%	100.0%
ING Industrial Fund	1,338.9	12.8%	7.6%	7.8%	7.9%	100.0%
DIT ⁶¹	639.3	15.4%	8.4%	8.4%	8.4%	100.0%
Office Property Trusts						
Commonwealth Office Property Fund	1,724.0	4.2%	8.1%	8.2%	8.2%	100.0%
DOT ⁶¹	1,354.7	(3.3)%	7.6%	7.4%	7.6%	100.0%
Macquarie Office Trust ⁶¹	1,243.6	4.9%	8.5%	8.7%	8.8%	100.0%
ING Office Fund	1,091.3	7.7%	8.4%	8.6%	8.6%	100.0%
Diversified Property Trusts						
General Property Trust	6,151.0	11.4%	7.0%	7.2%	7.5%	100.0%
DDF ⁶¹	1,255.7	5.2%	7.4%	7.7%	8.0%	100.0%
Retail Property Trusts						
CFS Gandel Retail Trust	2,799.5	7.1%	6.8%	7.1%	7.4%	100.0%
Macquarie Countrywide Trust	1,155.2	15.0%	7.7%	7.9%	8.2%	100.0%
Prime Retail Group ⁶¹	376.8	4.9%	9.0%	9.4%	9.7%	100.0%
United States Property Trusts						
Macquarie ProLogis Trust	811.2	22.0%	9.5%	9.6%	9.7%	100.0%
Principal America Office Trust ⁶¹	794.1	23.0%	9.3%	9.5%	9.5%	100.0%
Macquarie DDR Trust	777.5	3.3%	8.5% ⁶³	8.9%	9.1%	100.0%
Galileo Shopping America Trust	308.4	7.6%	9.1% ⁶³	9.6% ⁶⁴	9.5%	100.0%

Source: IRESS, Company Reports and Grant Samuel analysis.

Since announcement on 4 August 2004, the trust unit prices have increased marginally (as

⁵⁷ All trusts have a 30 June year end except for General Property Trust, Australand Property Group and Principal America Office Trust which all have 31 December year ends. Analysis for DOT, DIT and DDF is based on pro forma 30 June year ends as disclosed in the Explanatory Memorandum.

⁵⁸ Calculated as net profit before tax attributable to property investment activities divided by total net profit before tax. Westfield calculated by reference to forecast net profit before tax for year ending 30 June 2005.

⁵⁹ Results for the year ended 30 June 2004 not yet available for Westfield. Based on Grant Samuel estimates.

⁶⁰ Westfield was formed by the merger of Westfield Holdings Limited, Westfield Trust and Westfield America Trust which was implemented on 16 July 2004. Therefore, no distribution yield is available for 2003/04.

⁶¹ Currently involved in a corporate transaction. Security prices immediately prior to announcement of the respective transactions have been used.

⁶² Results for the year ended 30 June 2004 not yet available for Multiplex Group. Based on financial information in the Entitlement Offer Prospectus dated 21 April 2004. Property investment (%) based on pro forma 2005 EBIT.

⁶³ Listed in late 2003. Reflects annualised distribution for the period from allotment to 30 June 2004.

⁶⁴ Annualised for the effect of the final instalment paid in December 2004.

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has the S&P/ASX 200 Property Trust Index).

Change in Market Prices			
Entity	Weighted Average Price		
	21 June – 20 July 2004	4 August – 20 August 2004	Change %
DOT	\$1.17	\$1.18	+0.9%
DIT	\$1.85	\$1.93	+4.3%
DDF	\$1.23	\$1.26	+2.4%

Source: IRESS

Previous staplings/mergers in the Australian listed property trust sector have generally had a positive effect on value. However, there have been a variety of responses ranging from a substantial uplift to relatively minor increases.

The substantial uplifts have occurred in transforming transactions such as the 1999 merger of Mirvac Limited, Capital Property Trust and Mirvac Property Trust to form Mirvac Group and the 2004 merger of Westfield Holdings Limited, Westfield Trust and Westfield America Trust to form Westfield. The Mirvac entities were each relatively small prior to the merger (market capitalisation of each was \$400-500 million) and the merger had the effect of radically changing the market positioning of the group. It moved from being in a pack of trusts of similar size to being the fourth largest listed property trust in Australia. This had a material impact on institutional interest in the group and its liquidity. The Westfield transaction involved the merger of two of the largest listed property trusts in Australia and the \$8 billion Westfield Holdings Limited to form a global entity. The strong market reaction probably reflected enthusiasm for the creation of a truly integrated global business that would be the worlds' largest retail property company. There have been several other staplings (Ronin Property Group, Australand Property Group and Centro Properties Group) where the market response was far more restrained, although there may have been other factors influencing the market price at the time.

The Proposal does reposition the three trusts and there are a number of factors which should be positive for the market price of stapled securities in DRT compared to market prices of the three trusts if the Proposal is not implemented, including:

- the improved growth prospects for the stapled entity;
- the size and scale of the stapled entity. There is evidence that larger property trusts trade at lower yields;
- reduced risk through diversification of the asset base;
- an increase in interest by domestic investors;
- the reduction in STC's and AXA's interests to 15.9% and 9.4% respectively;
- the increment to earnings through possible additional operational costs savings; and
- the higher levels of distributions even if due largely to increased gearing and financial risk.

However, it is arguably not "transforming" in that:

- DRT is still essentially a property owning entity;
- 80% of assets are still based in Australasia; and
- while it will be one of the largest listed property trusts it will be a "pack" with others of broadly comparable size (Mircvac Group, Centro, Investa, Macquarie Goodman and CFS Gandel Retail Trust).

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Accordingly, any re-rating is likely to be relatively modest. This is consistent with the evidence from stockmarket trading since the announcement (shown above). At these prices the trusts are trading at an implied yield for DRT in the range of 8.2-8.3% (2004/05). This is not out of line with peer group trusts or with analysts views although there may be a little more upside from current levels as the muted response to date may reflect factors such as:

- the complexity of the Proposal;
- uncertainty as to whether or not it will be implemented; and
- lack of familiarity with the US Industrial Portfolio.

Equally, even if upside is perhaps limited, there may be benefits in downside protection. It is arguable that DRT's market rating may be more robust than the three trusts individually if there is a downturn in market sentiment towards listed property trusts. Property trusts have enjoyed a very strong run in recent years but the interest rate cycle has now bottomed. In a downturn, small entities tend to be the hardest hit in terms of rating and liquidity.

9.9 Costs, Disadvantages and Risks

9.9.1 Change in Investment Characteristics

The higher growth prospects of DRT come with greater risk and a substantial change in the nature of the investment for unitholders. DRT's portfolio will be diversified by property type with 38% industrial assets, 47% office assets, 12% retail assets and 3% car parks. It will also be geographically diversified with 19% of the portfolio in the United States and 2% in New Zealand giving rise to exposure to currency movements (although hedging will offset this risk substantially). DRT will also have a 50% interest in a real estate asset and property management business (albeit a small contribution at around 2% of distributable income).

There may be unitholders who do not welcome such diversification or change in their risk/return profile. In particular:

- DOT and DIT unitholders will no longer enjoy an Australian property sector specific focus and will gain exposure to a large diversified property portfolio with an offshore focus; and
- DDF unitholders will be faced with a substantial increase in the scale and nature of the diversified portfolio with an emphasis on offshore growth.

Sector allocation and geographic mix decision will now be taken by DRT rather than by unitholders resulting in a loss of flexibility for investors. It is arguable that it is more efficient for investors to undertake diversification themselves through the stockmarket. To some investors this will be a significant loss of flexibility and it may be sufficient for them to reconsider their investment.

However, the Proposal does not change the overall investment proposition from that of predominantly being a property owner.

9.9.2 Increased Gearing and Financial Risk

The acquisition of the US Industrial Portfolio is effectively fully debt funded. As a consequence there is a substantial increase in gearing for all three trusts to 45.9%. It is proposed that gearing be reduced to approximately 43% by 30 June 2006 (with a long term target of 40-45%) by way of asset sales and a fully underwritten distribution reinvestment plan. Higher gearing increases exposure to interest rates though this is to be mitigated by risk management and hedging programmes. With gearing at this level there is an impact on financial flexibility. Any significant acquisitions may have to be funded through either equity raisings or asset sales.

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Financial risk also increases as a consequence of the exposure to interest rate and currency movements. DRT's borrowings will be denominated in A\$, US\$ and NZ\$. DRT has entered into US\$ interest rate swap agreements and interest rate options to hedge a portion of its exposure to floating interest rates and the fixed rate hedging profile of DRT will be 70-80% hedged with an average duration in excess of four years.

DRT will also have US\$ and NZ\$ assets which it intends to protect from exchange fluctuations by debt funding the assets in the respective foreign currency to the maximum extent possible. DRT may also enter into cross currency swaps to maintain a desired level of funding (or refinance the assets appropriately). DRT will derive US\$ and NZ\$ earnings (although exposure to NZ\$ earnings is minimal). DRT is to enter into US\$ hedges to protect 90-100% of its US\$ earnings in 2004/05 and 2005/06 against fluctuations.

Notwithstanding the risk management processes adopted by DRT, unitholders will experience an increase in financial risk.

9.9.3 DRT's relationship with Deutsche Bank

There are elements of the Proposal which have the effect of entrenching DRT's relationship with Deutsche Bank. These elements are at various levels of DRT's operating structure. Some provisions may be triggered upon certain change of control events occurring in relation to DRT and may serve as an impediment to potential acquirers:

- Calwest has the right to acquire DRT's interest in the US Joint Venture if, at any time, none of DeAM, DBRE or DBRF Management is the responsible entity of DIT or DDF or a person acquires a 50% relevant interest in DIT or DDF. This right was a specific requirement of Calwest. Effectively, Calwest has reserved the right to ensure that its Joint Venture partner is an acceptable party. Such rights are a typical feature in the United States property market. If the right is exercised then DRT's interest in the US Joint Venture will be purchased for market value at the time so there should be no economic loss to DRT securityholders. However, this may still be perceived as a negative by potential bidders if they believe that the US Industrial Portfolio was an attractive long term investment opportunity (as it could not be easily replicated). It is uncertain as to what circumstances would cause Calwest to exercise its right as it has made a major decision to sell down its interest in the US Industrial Portfolio to 20%. Any decision to acquire DRT's interest would therefore involve a substantial re-investment, albeit moderate in terms of CalPER's total property holdings;
- Deutsche Bank will have a put option over its 50% interest in DBRF Holdings which is triggered by either a person acquiring more than a 30% relevant interest in DRT, a change of control in Deutsche Australia or Deutsche Bank disposing of all or substantially all of its global DB Real Estate business. Prima facie, the put option could represent a disincentive to a potential bidder for DRT but, on the other hand, it represents a mechanism to facilitate DRT's acquisition of 100% of DBRF Holdings as it provides a clean exit for Deutsche Bank in circumstances where it is unlikely to want to remain involved with DRT. Assuming the pricing mechanism is reasonable, the arrangements may not cause an issue for bidders. Nevertheless, there is no certainty Deutsche Bank would exercise its put option and there is no call option in favour of DRT if the 30% threshold is reached;
- the STC Mandate is for no fixed term and is able to be terminated by STC at any time. The continuation of this mandate (for which value has been paid as part of the \$70 million purchase price) is arguably dependent on Deutsche Bank's continued involvement with DRT due to the comfort STC (and its master custodian) gain from having a major global bank standing behind DRT as well as the length and success of the relationship over the last 7-8 years. The prospect of termination of this mandate and the consequent loss of value may impact on the price that a bidder is prepared to offer for DRT;
- DBRF Management will only operate as responsible entity for DWPF under a delegation from Deutsche Bank which could be withdrawn; and

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- AXA, as the major unitholder in DWPF, is obliged to follow Deutsche Bank's instructions upon a vote in relation to removal of the responsible entity.

In a general sense, the 50/50 ownership of DBRF Holdings also has the effect of entrenching Deutsche Bank. Given that DRT securityholders own 50% of DBRF Management, they are unlikely to wish to replace the responsible entity. This may provide disincentive to DRT securityholders to apply pressure to Deutsche Bank although it should be recognised that Deutsche Bank's only role is as a shareholder in DBRF Holdings and DRT securityholders will theoretically control DBRF Holdings and therefore the management of DRT through the appointment of the majority of the board.

In addition, co-owner pre-emptive rights have been entered into by DDF with Westfield in relation to the regional retail property portfolio. These are standard property co-owner arrangements and effectively reserve the right for each owner to decide if a bidding party is an appropriate co-owner of the relevant asset. This pre-emptive arrangement may serve as an impediment to a takeover offer for DRT by a third party. However:

- there is value to DDF unitholders from holding a pre-emptive right over Westfield's interest in the properties;
- it is not certain that Westfield would ever exercise its pre-emptive rights as it depends on the identity of the other party and Westfield's strategic objectives (currently Westfield benefits from holding the property management and development rights for the centres without having to commit capital to 100% ownership of the property);
- any sale under the pre-emptive provisions will be at the then market value although it may still be perceived as a lost opportunity to acquire attractive assets by a bidder; and
- these rights are not related to the Proposal itself and will exist in relation to DDF even if the Proposal does not proceed.

Other elements of the Proposal have the effect of binding DRT's activities with the commercial interests of Deutsche Bank:

- RREEF America (the United States subdivision of DB Real Estate) is to be investment manager for the US Joint Venture and provide services to US REIT; and
- under the DBRF Holdings operating agreements, DRT receives the exclusive right to operate its core business in Australia and New Zealand. However, core business is defined tightly and DRT is prevented from providing non-real estate related services in Australia and New Zealand (except with Deutsche Bank's agreement) and providing its core business in jurisdictions outside Australia and New Zealand in which DB Real Estate operates. Further, where DRT acquires a property in a jurisdiction outside Australia and New Zealand in which DB Real Estate operates, DRT must offer DB Real Estate a first right of refusal to provide real estate asset management services on commercial terms.

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9.9.4 Taxation Consequences

The Proposal has taxation consequences for both DRT and unitholders. Tax advice has been received from Greenwoods & Freehills Pty Limited in relation to the Australian taxation implications of the Proposal for unitholders⁶⁵ and PricewaterhouseCoopers in relation to the Australian and United States Federal income taxation implications of DIT's and DDF's investment in the US Joint Venture.

Tax advice has been received that:

- the conversion of each DOT unit into consolidated DOT units and the conversion of each DIT unit into consolidated DIT units should not give rise to a capital gains tax event for DOT or DIT unitholders. The cost base of a DOT or DIT unitholder's consolidated units will be equal to the sum of the cost base of their existing units apportioned across the consolidated units in accordance with the ratio for the conversion of the units;
- the creation of the DRT stapled security should not give rise to a capital gains tax event for DOT, DIT or DDF unitholders, except for those DOT, DIT or DDF unitholders who acquired their units on or after 20 September 1985 and whose current cost base is less than the stapling distribution of \$0.362, \$0.402 and \$0.362 per unit respectively. While the stapling distribution will not be included in the taxable income of unitholders, "post CGT" DOT, DIT or DDF unitholders will have the cost base of each unit reduced by \$0.362, \$0.402 and \$0.362 per unit respectively. Any DOT, DIT or DDF unitholder whose current cost base is less than \$0.362, \$0.402 and \$0.362 per unit respectively will make a capital gain to the extent that the cost base is less than the stapling distribution of \$0.362, \$0.402 and \$0.362 per unit respectively. Management does not believe that this will apply to many unitholders (if any at all); and
- where a distribution from the stapled security includes foreign-sourced income (e.g. distributions derived by DOT and DDF from US REIT) in which foreign taxes have been paid, Australian stapled security holders will be entitled to receive a foreign tax credit for an amount equal to the lesser of the foreign tax paid and the Australian tax payable in respect of such income.

There are however several tax consequences arising from the Proposal which could be disadvantageous to some investors in each of the entities:

- a small portion of distributions to investors will be in the form of franked distributions (being the income stream generated through DRO). There may be former unitholders in DOT, DIT or DDF who are unable to effectively utilise franking credits. However, it should be noted that the absolute level of cash distribution is forecast to be higher for DOT, DIT and DDF unitholders as a result of the Proposal;
- each security making up a stapled security is regarded as a separate asset for capital gains tax purposes. As a result, unitholders in DDF who acquired their interests prior to 20 September 1985 will effectively forfeit their "pre CGT" treatment to the extent that value attaches to new units that are issued as part of the Proposal to form part of the stapled security. These unitholders will become subject to capital gains tax on gains relating to new units from the effective date of the Proposal in relation to the units issued (but will continue to remain exempt from tax on their pre CGT DDF units). In this respect, it should be noted that the units acquired as part of the Proposal will have low cost bases (\$0.20 for each DOT unit acquired by DIT and DDF unitholders, \$0.16 for each consolidated DIT unit acquired by DOT and DDF

⁶⁵ The advice from Greenwoods & Freehills Pty Limited is based on the assumption that the Australian Taxation Office will issue Class Rulings in accordance with the various class ruling requests lodged on behalf of unitholders in DOT, DIT and DDF (see Section 12.5 of the Explanatory Memorandum).

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unitholders, \$0.20 for each consolidated DDF unit acquired by DOT and DIT unitholders and \$0.002 for each DRO unit acquired by DOT, DIT and DDF unitholders). On sale the total sale price of the stapled security is allocated across the four securities (on a “reasonable” basis). As a result:

- the amount allocated to the original pre CGT asset is less than the full value of the stapled security and therefore the CGT exempt gain is diluted; and
- CGT payable on the gains on the other securities is likely to be substantial.

This tax will only be payable upon ultimate disposal of the interest in the DRT and, for individuals who do not dispose of their interest in the DRT within 12 months of the effective date, will be at the concessional rate (currently a maximum of 24.25% including the Medicare levy).

This issue in respect of pre CGT units can be mitigated by either:

- selling these units and reinvesting in DRT stapled securities through the ASX; or
- participating in the exchange by sale alternative under the Cash Sale and Exchange Facility.

For pre CGT unitholders, this sale will be exempt from CGT and the new stapled securities acquired will have a more appropriate allocation of the cost base equal to the market value of the stapled securities at the effective date. This means that the investor will only be liable to pay CGT on any gains made from the effective date of the Proposal (but again, not payable until ultimate sale).

As DOT and DIT were established post 20 September 1985 they have no “pre CGT” unitholders. DDF was established prior to 20 September 1985 and therefore there may be some “pre CGT” unitholders who will need to address this taxation consequence;

- any unitholder in DOT, DIT, DDF or DRO who sells within 12 months of the effective date of the Proposal may be adversely affected in so far as any gain that is attributable to the new units acquired in the stapling process (but not the original securities) will not be eligible for the 50% CGT discount. Given the low cost base of these new securities (see above) the proportion of the gain attributable to these securities could be substantial;
- unitholders will have a cost base of \$0.20 for each DOT unit, \$0.16 for each DIT unit and \$0.20 for each DDF unit, acquired as part of the stapling process. To the extent that DOT, DIT and DDF distribute tax advantaged income (which they are expected to do) they will be treated as a reduction of that cost base (with no tax payable at the time) although when, in due course, the cost base is reduced to zero, those distributions will be treated as taxable capital gains (albeit at discounted rates); and
- stapled security holders who hold more than 10% of the stapled securities in DRT at the time a distribution is paid by the US REIT, will have a withholding tax of 30% (rather than 15%) applied to their US REIT distribution. Other security holders who hold less than 10% of the stapled securities will continue to have 15% withholding tax applied to their US REIT distribution. While the additional withholding tax is borne by the stapled security holder in the form of a lower net distribution received, they will receive a higher foreign tax credit. At the time of the Proposal, there will be at least one stapled security holder that will initially have a greater than 10% interest in the US REIT.

The taxation consequences of the Proposal are more fully set out in Sections 11.3 and 12.5 of the Explanatory Memorandum. Unitholders should refer to the taxation report prepared by Greenwoods & Freehills Pty Limited for a more detailed analysis of the taxation consequences of the Proposal and should, in any event, consult with their personal taxation adviser as the tax consequences may be complex.

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9.9.5 Other

(i) *Transaction Costs*

The total transaction costs for the Proposal are expected to be approximately \$41 million which will be shared 16%, 39% and 45% by DOT, DIT and DDF respectively. These costs represent approximately 1.3% of the combined market capitalisation of the three entities. A significant proportion of the transaction costs will be incurred prior to unitholder meetings. If the Proposal does not proceed, the costs that will be shared by DOT, DIT and DDF will be approximately \$19 million.

(ii) *Timing of Distributions*

Distributions will be paid by DRT six monthly with the first scheduled for payment (in relation to the period ended 31 December 2004) in February 2005. The change in timing of distributions will effect unitholders in DDF who currently receive distributions paid quarterly.

9.9.6 Forced Cash Sale for Foreign Securityholders

Stapled securities are not being issued to registered foreign unitholders other than those resident in New Zealand. A Sale Facility has been established to enable registered foreign unitholders to receive a cash amount instead of stapled securities. Under the Sale Facility, units held by registered foreign unitholders will be acquired by Merrill Lynch, which will participate in the Proposal and be issued with stapled securities which it will then sell to the market. The registered foreign unitholders will receive cash from Merrill Lynch equal to the Adjusted Sale Facility Price.

This may be disadvantageous to registered foreign securityholders as:

- they will have no say in the timing of the sale of the stapled securities that they are entitled to. The time that Merrill Lynch sells the stapled securities may not be the best time to sell for individual foreign unitholders; and
- they will not be able to retain an exposure to DRT unless they purchase stapled securities in DRT after the Proposal is implemented.

However, the level of registered foreign unitholders is less than 0.5% of issued units in each of the trusts. There may be other foreign unitholdings held through nominee companies but these are not required to participate in the Sale Facility.

9.10 Alternatives

There are a large number of alternatives that are theoretically available to unitholders instead of this Proposal. The more obvious ones include:

- the status quo;
- leave all three trusts as independent but internalise the management;
- staple all three trusts but not acquire the US Industrial Portfolio and either:
 - retain external management; or
 - internalise management (fully or partially);
- staple all three trusts, acquire the US Industrial Portfolio and either:
 - retain external management; or
 - fully internalise management; and
- implement the Proposal but exclude the third party mandates.

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In considering these possibilities unitholders should recognise that:

- the US Industrial Portfolio is only available under the Proposal as no other transaction could be completed within the timeframe. The acquisition of the US Industrial Portfolio is an important component in repositioning the trusts. Stapling of the three trusts on its own would not be anywhere near as appealing;
- not stapling runs the risk of market irrelevance in a rapidly consolidating sector;
- internalising the management of each trust individually would be extremely inefficient from an operating cost point of view; and
- the third party mandates provide important economies of scale.

It is difficult to determine whether there is an alternative that is superior to the Proposal. It is conceivable that a third party may wish to make a takeover offer for one (or more) of the trusts at a substantial premium to the market price. If this arises it will need to be treated on its merits.

However, there remains opportunity for other parties to put forward proposals for one or more of DOT, DIT or DDF. The unitholder meeting process required to seek approval for the Proposal provides ample opportunity for alternate superior proposals to be developed. From announcement (4 August 2004) to the meeting date (late September 2004) a period of around eight weeks will have elapsed including a period of three weeks prior to the meetings during which the Explanatory Memorandum (including Directors' forecasts) is available for consideration by potential alternate bidders.

It should not be assumed that because the Proposal is being put to a unitholder vote that it is a fait accompli. Rather, it only represents the best alternative available to DeAM and DBRE at the current time. The potential for counter bidding against a securityholder vote was highlighted in the recent competitive bidding for Hamilton Island Limited. In a process that started in June 2003 with an initial scheme of arrangement proposal, a further seven bids were made by the two competing bidders of which four involved schemes of arrangement.

The extent of interest in DOT, DIT and DDF from other parties is unknown. However, given the speed and extent of consolidation in the listed property trust sector, it is probably reasonable to assume there may be interested parties. Further, the Proposal will only be implemented if all resolutions are passed at each unitholder meeting in late September 2004. If unitholder approval is not forthcoming then DOT, DIT and DDF may also be considered potential takeover targets.

The key points for unitholders are:

- in Grant Samuel's opinion, unitholders are likely to be better off if the Proposal is implemented than if it is not (i.e. the status quo); and
- there has been ample opportunity for other parties to come forward and that opportunity will remain until the unitholder meetings in late September 2004.

9.11 Conclusion

Grant Samuel believes that the stapling terms are equitable. The analysis considered the proportion of the stapled entity received by each group of unitholders relative to their respective contributions of market value and underlying value and the other benefits accruing to unitholders in each trust. Based on the closing prices on the ASX on 20 July 2004 (the day prior to significant market speculation), the stapling ratios are in line with market value. Over a longer time frame (up to three months), the relationships are also reasonably consistent with the stapling ratios but very slightly favours DDF. Market value should be a primary criterion particularly given that units in each trust are actively traded on the ASX. Underlying value (or assessed value) is also meaningful but it is subjective and uncertain. The analysis indicates a benefit to DIT and DDF unitholders and a discount for DOT unitholders. However, this largely reflects the fact that DOT has consistently traded at a discount to net asset backing while DDF along with the rest of the industrial property sector trades at a premium to net assets. Unitholders in each entity will

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undoubtedly have conflicting views as to the fairness of the stapling ratios. Inevitably, they will believe they should receive a greater share. It is rarely possible to fully satisfy each party to a merger. However, in Grant Samuel's view the stapling ratios represent a fair balance between the three trusts taking into account the value contributions across the various measures and the other benefits and disadvantages to each group of unitholders.

However, while an equitable exchange ratio is a necessary condition for a merger to be in the best interests of investors, there also needs to be a net benefit from the merger.

The Proposal results from the current environment facing the trusts. In a rapidly consolidating listed property trust sector, DOT, DIT and DDF face significant challenges to secure superior returns for unitholders. The expected growth in distributions for each of the trusts over the short to medium term in the absence of the Proposal is relatively modest. The cost of capital for each of the trusts is high in comparison to yields at which properties are changing hands, making it difficult for any of the trusts to grow by acquisition without increasing leverage, diluting equity returns or reducing asset quality. Although each trust is substantial in its own right with some outstanding property assets, even property trusts with market capitalisations of more than \$1 billion are now in danger of being considered to be sub-scale. In due course, liquidity could be impaired. A significant proportion (but not all) of investors also currently appear to place little value on sector specialisation. In addition, there are structural changes impacting on the industry. In particular, the external management model is under pressure.

The Proposal is designed to address these issues. It repositions the investment proposition for unitholders and seeks to deliver greater opportunities for growth. The merging of DOT, DIT and DDF and the acquisition of an 80% interest in the US Industrial Portfolio delivers scale without the need for a capital raising. The US Industrial Portfolio enhances the growth profile for all unitholders. The stapled group has pro forma total assets of approximately \$6.5 billion and pro forma market capitalisation in excess of \$3 billion, making it one of the largest listed property trusts in Australia. The enlarged single pool of equity should enhance stockmarket liquidity and the size, diversity and offshore growth potential may result in increased investor interest. There is a demonstrable relationship between market capitalisation and market rating. The partial internalisation of management better aligns the interests of unitholders and management and creates a partnership with Deutsche Bank which can be leveraged for growth. Overall, the Proposal results in an uplift in earnings and distributions for unitholders in each of the trusts, albeit at the cost of increased financial risk.

The acquisition of an 80% interest in the US Industrial Portfolio is a substantial transaction delivering a quality portfolio and offering scale, geographic diversification and opportunities for growth from exposure to the recovering United States industrial market and various redevelopment opportunities. It is the primary source of the uplift in earnings and distributions and is a key driver of future growth (it represents 20% of total assets). The acquisition of the 80% interest in the US Industrial Portfolio plays an important role in the Proposal. A stapling of the three trusts on its own would not be anywhere near as appealing.

The partial internalisation of management is an unusual feature of the Proposal and has not been previously tried in the Australian market. Nevertheless, it may prove to be an effective alignment of interests and strategic partnership for the benefit of unitholders. Deutsche Bank will be incentivised to help grow DBRF Holdings on a profitable basis. Deutsche Bank, through DB Real Estate, is one of the world's largest real estate businesses and its credibility was important in securing the US Industrial Portfolio. An ongoing partnership with Deutsche Bank and DB Real Estate may bring new opportunities to DRT. The price to be paid for the 50% interest in DBRF Holdings is a full price (particularly in a context where the responsible entity can be removed by unitholders for no compensation). However, the purchase price is, on available measures, consistent with or less than prices effectively paid in recent transactions and should be earnings accretive for DRT unitholders.

There are a number of costs, disadvantages and risks arising from the Proposal. While DDF is a diversified fund, DIT and DOT are focused on industrial and office properties respectively (and until recently all were focused solely in Australia). The stapled group will have a diversified asset

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base of industrial (38%), office (47%), retail (12%) and car park (3%) properties spread between Australia (79%), the United States (19%) and New Zealand (2%). This change in investment characteristics may not suit all unitholders, particularly those for whom the sector specialisation was important. Investors will lose their current flexibility to choose the type and mix of properties that best suits their own preferences.

As the acquisition of the US Industrial Portfolio is fully debt funded, gearing and financial risk will increase significantly (gearing increases to 45.9%) and there will be some currency exposure (albeit largely hedged). This increase in risk profile may concern some unitholders. The financial flexibility of DRT is reduced and future acquisitions may require equity raisings or asset sales.

The Proposal also involves elements that have the effect of entrenching DRT's relationship with Deutsche Bank. These elements occur at various levels of the DRT operating structure including the US Joint Venture and the third party property management mandates. This aspect detracts from the Proposal and may serve as an impediment to unitholders receiving a takeover offer in future. This issue is not inconsequential but the focus of investors should be on the merits of the underlying investment proposition (particularly in the case of a property investment vehicle) and not on the hypothetical possibility of a takeover offer. In any event, the opportunity for third parties to make a superior offer for any of the trusts will be available until the unitholder meetings. The partial internalisation also has some drawbacks. A key benefit of internalisation is returning ultimate control over management to unitholders. However, despite paying for a 50% interest, unitholders do not have unfettered control of their destiny and there is an incentive not to replace the responsible entity.

The following table summarises these pros and cons as they impact investors in each of the trusts. These effects are different between the three trusts. Importantly, the effects will also vary between unitholders in the same entity depending on their personal situation.

DOT	
Benefits & Advantages	Costs, Disadvantages & Risks
Significantly higher distributions (>10%)	Higher gearing
Higher earnings growth prospects	Loss of pure office exposure
Exposure to broader more diversified asset base	Dilution of NTA backing
Upside from United States exposure	Transaction costs
More widely dispersed share register	Increased risk from United States exposure
Better liquidity	Potentially adverse tax consequences (sale within 12 months, tax advantaged distributions ultimately subject to CGT)
Lower management expenses	Closer relationship with Deutsche Bank
Relationships with strategic parties (e.g. Deutsche Bank, RREEF, CalPERS, Westfield)	
Alignment of unitholder and Deutsche Bank interests	

DIT	
Benefits & Advantages	Costs, Disadvantages & Risks
Higher earnings growth prospects	Higher gearing
Higher distributions (from 2005/06)	Loss of pure industrial exposure
Increase in NTA backing	Transaction costs
Exposure to broader more diversified asset base	Increased risk from United States exposure
Upside from United States exposure	Potentially adverse tax consequences (sale within 12 months, tax advantaged distributions ultimately subject to CGT)
More widely dispersed share register	Closer relationship with Deutsche Bank
Better liquidity	
Lower management expenses	
Relationships with strategic parties (e.g. Deutsche Bank, RREEF, CalPERS, Westfield)	
Alignment of unitholder and Deutsche Bank interests	

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DDF	
Benefits & Advantages	Costs, Disadvantages & Risks
Higher earnings growth prospects	Substantially higher gearing
Higher distributions	Six monthly (not quarterly) distributions
Increase in NTA backing	Transaction costs
Exposure to broader more diversified asset base	Increased risk from United States exposure
Upside from United States exposure	Loss of pre CGT status (for some unitholders) and other potentially adverse tax consequences (sale within 12 months, tax advantaged distributions ultimately subject to CGT)
More widely dispersed share register	Closer relationship with Deutsche Bank
Better liquidity	
Lower management expenses	
Relationships with strategic parties (e.g. Deutsche Bank, RREEF, CalPERS, Westfield)	
Alignment of unitholder and Deutsche Bank interests	

The fundamental test for investors is whether the improved growth prospects, the enhanced income, the benefits of scale, the better alignment of interests with Deutsche Bank and other potential benefits outweigh the disadvantages. Grant Samuel's judgement is that, on balance, they do and investors in each of the entities should be better off if the Proposal is implemented than if it is not.

Accordingly, in Grant Samuel's opinion, the Proposal is, on balance and in the absence of a superior proposal, in the best interests of:

- DOT unitholders as a whole;
- DIT unitholders as a whole; and
- DDF unitholders as a whole.

The decision of each unitholder as to whether to vote in favour of the Proposal is a matter for individual unitholders based on each unitholder's views as to value and future market conditions, expectation as to returns from their current investment, risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary between unitholders. If in any doubt, unitholders should consult an independent professional adviser.

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9.12 Relevant Interest of Deutsche Bank

Deutsche Bank and its associates have relevant interests in each of DOT, DIT and DDF. These include:

- units in the trusts managed by DeAM under various investment management mandates, including:
 - the interests of STC in DOT (31.5%) and DIT (16.0%); and
 - various property securities funds;
- part of AXA's holding in DDF by virtue of certain rights of first refusal held by Deutsche Bank over a portion of AXA's holding; and
- units held as principal by Deutsche Bank's securities trading operations generally for the purposes of investment and trade facilitation.

Collectively, Deutsche Bank is deemed to hold relevant interests of 36.1% in DOT, 18.2% in DIT and 19.9% in DDF.

The stapling process has the effect of:

- giving Deutsche Bank an overall relevant interest in DRT of 26.3% (technically, a relevant interest of 26.3% in each of DOT, DIT, DDF and DRO); and
- decreasing its relevant interest in DOT but increasing its relevant interest in DIT and DDF (and DRO).

In addition, Deutsche Bank's relevant interest will increase further as a result of:

- the issue of securities as consideration for the acquisition by DRT of the 50% interest in DBRF Holdings. This transaction will increase the relevant interest to approximately 27.7% (of the enlarged fund); and
- any shortfall pursuant to the underwriting by Deutsche Bank of the distribution reinvestment plan for the two years ending 30 June 2006.

The increases in Deutsche Bank's relevant interests to more than 20% and the subsequent increases in any of the trusts require unitholder approval under Item 7 of Section 611 of the Corporations Act.

In Grant Samuel's opinion, the increase in Deutsche Bank's relevant interests is fair and reasonable to the non associated unitholders. In forming this view, Grant Samuel has taken the following factors into account:

- Deutsche Bank already has effective management control of each of the three trusts through its ownership of the responsible entities for the trusts;
- under the Proposal (which Grant Samuel considers to be in the best interests of unitholders in each of the trusts), Deutsche Bank will continue to have considerable influence through its 50% ownership of DBRF Holdings and the three directors it appoints to the board of DBRF Holdings. It is unlikely that the increase in its relevant interest will enable it to exercise any greater influence. In this context, the board of DBRF Holdings will also include four independent directors elected by the unitholders and Deutsche Bank will not vote on these appointments;
- the issue is technical. Deutsche Bank's relevant interest includes the STC interest of approximately 15.9% of DRT. The commercial reality is that Deutsche Bank does not control this interest in any meaningful way. While the investment mandate theoretically gives Deutsche Bank considerable discretion, the practical situation is that:
 - Deutsche Bank does not exercise the votes attaching to the units in relation to any significant or related party matters put before unitholders. STC makes its own decision

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and instructs Deutsche Bank. STC has taken independent advice on such issues in the past; and

- any decision to sell all or part of the interest would be taken by STC not Deutsche Bank.

Deutsche Bank's relevant interest would be below 20% in all circumstances if the STC holding is excluded.

The inclusion of the AXA holding is also technical although Deutsche Bank would be able to actually acquire these units in certain circumstances;

- the increase to 35% would occur only if there was a 100% shortfall on the underwriting of the distribution reinvestment plan in at least two of the four distributions paid in the two years ended 30 June 2006. If the distribution reinvestment plan is fully subscribed Deutsche Bank's relevant interest would not exceed 27.7%;
- the Deutsche Bank direct holdings are unlikely to represent a significant impediment to a bidder. Most bidders would assume that the STC parcel would be available if a sufficiently attractive offer was made; and
- ASIC has agreed in principle to grant limited relief in relation to potential future increases in Deutsche Bank holdings through trade facilitation activities or under investment mandates (of up to 3% each) until August 2005. However, a condition of the relief is that no votes are cast on units acquired under this exemption other than where the beneficial owner directs how the votes are cast. Accordingly, they will have no practical effect on control.

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10 Qualifications, Declarations and Consents

10.1 Qualifications

The Grant Samuel group of companies provides corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally), property advisory services and manages property development funds. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 315 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Ross Grant BSc (Hons) MCom (Hons) MBA, Stephen Wilson MCom (Hons) CA (NZ) FSIA and Caleena Stilwell B.Bus CA ASIA. Each has a significant number of years of experience in relevant corporate advisory matters. Atagun Bensan BSc (Hons) LLB and Ashley Miles BCom BEng (Hons) assisted in the preparation of the report. Each of the above persons is an authorised representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

10.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Proposal is in the best interests of DOT, DIT and DDF unitholders and whether or not the potential increase in Deutsche Bank's relevant interest to a maximum of 35% is fair and reasonable to non associated unitholders. Grant Samuel expressly disclaims any liability to any DOT, DIT and DDF unitholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Explanatory Memorandum issued by DeAM, DBRE and DBRF Management and has not verified or approved any of the contents of the Explanatory Memorandum. Grant Samuel does not accept any responsibility for the contents of the Explanatory Memorandum (except for this report).

Grant Samuel has had no involvement in any due diligence investigation in relation to the Explanatory Memorandum and does not accept any responsibility for the completeness or reliability of the process.

10.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with DOT, DIT, DDF, DeAM, DBRE and Deutsche Bank (nor any of its subsidiaries) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal. Grant Samuel advises that:

- Grant Samuel Property Pty Limited, a related entity of Grant Samuel, provides services to existing or potential property tenants. From time to time these services may relate to properties owned by DOT, DIT and DDF or properties managed by DeAM and DBRE; and
- the Grant Samuel group of companies is a tenant of Governor Macquarie Tower, 1 Farrer Place, Sydney which is 50% owned by DOT and managed by DeAM.

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Grant Samuel commenced analysis for the purposes of this report in June 2004 prior to the announcement of the Proposal. This work did not involve Grant Samuel participating in setting the terms of, or any negotiations leading to, the Proposal.

Grant Samuel has no involvement with, or interest in the outcome of, the Proposal, other than the preparation of this report.

Grant Samuel will receive a fixed fee of \$900,000 for the preparation of this report. This fee is not contingent on the outcome of the Proposal. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Practice Note 42 issued by the ASIC (previously known as Australian Securities Commission) on 8 December 1993.

10.4 Declarations

DeAM and DBRE have agreed that they will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. DeAM and DBRE have also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by DeAM and DBRE are limited to an amount equal to the fees paid to Grant Samuel.

DBRF Management (in its capacity as responsible entity of DRT) has agreed to guarantee the performance of DeAM and DBRE's obligations to Grant Samuel and indemnify Grant Samuel and its employees and officers for any loss suffered as a consequence of DeAM and DBRE failing to perform any such obligations.

Advance drafts of this report were provided to DOT, DIT and DDF and their advisers. Certain changes were made to the drafting of the report as a result of its circulation. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

10.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Explanatory Memorandum to be sent to unitholders of DOT, DIT and DDF. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

10.6 Other

The accompanying letter dated 25 August 2004 and the Appendix form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
25 August 2004

Grant Samuel & Associates

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Appendix 1

Market Evidence

1 Valuation Evidence from Transactions

There has been considerable transaction activity in Australia involving the acquisition of real estate asset and property management rights in recent years. Such transactions provide evidence of prices that acquirers are willing to pay for real estate asset and property management rights. However, many such transactions involve privately owned companies or divisions of large companies for which financial information is limited or not publicly disclosed. A selection of relevant transactions since 1999 involving real estate asset and property management rights in Australia for which financial information is available is set out below:

Recent Transaction Evidence								
Date	Target	Transaction	Consideration ¹ (Smillions)	FUM ² (Smillions)	Consideration /FUM (%)	Revenue Multiple ³ (times) historical	EBITA Multiple ⁴ (times)	
							historical	forecast
May 2004	Management rights for ICA Property Group	Acquisition by Valad Property Group	28.0	405	6.9%	na ⁵	6.2	4.9
Dec 2003	Management rights for AMP NZ Office Trust	Acquisition of 50% by Ronin Property Group	NZ18.0	NZ578	3.1%	na	5.5	na
Sep 2003	Management rights for AMP Office Trust	Acquisition by Ronin Property Group	31.0	1,516	2.0%	3.5	na ⁶	na
Jul 2003	Funds management business of MCS Property Limited	Acquisition by Centro Properties Group	70.0	1,400	5.0%	na	na	na
May 2003	Management rights for AMP Diversified Property Trust	Acquisition by Stockland Group	39.3 ⁷	1,888	2.1%	4.1	na ⁸	na
May 2003	Management rights for AMP Industrial Trust	Acquisition by Macquarie Goodman Funds Management Limited	17.5 ⁹	550	3.2%	4.3	na	na
Apr 2003	Management rights for Colonial First State Industrial Property Trust	Acquisition by Macquarie Goodman Management Limited	25.0	454	5.5%	na	na	na
Feb 2003	Tyndall Investments (Australia) Limited	Acquisition by James Fielding Holdings Limited	22.7	534	4.3%	5.3	na	na
Jan 2003	Grand Hotel Group Management Limited	Internalisation of management	1.4	569	0.2%	0.7	na	na

¹ Implied value if 100% of company or business had been acquired.

² FUM = assets under management.

³ Represents gross consideration divided by revenue. The gross consideration is the sum of the equity and/or cash consideration plus borrowings net of cash.

⁴ Represents gross consideration divided by EBITA. EBITA is earnings before interest, tax and goodwill amortisation. However, in some transactions only EBITDA (i.e. earnings before interest, tax, depreciation and amortisation) is available. As property and funds management businesses are not typically capital intensive in some instances the EBIT multiple has been calculated by reference to EBITDA (e.g. Valad Funds Management Limited and Westpac Property Trust Funds Management Limited).

⁵ na = not available. Historical management fee revenue is not available for the ICA Property Group, however, the transaction implies 2.2 times forecast 2005 revenue.

⁶ EBITA information is not available but the price paid by Ronin Property Group equated to 7.4 times net profit after tax.

⁷ AMP Henderson received \$25 million for the asset management rights (1.3% of FUM) and \$14.3 million for the property management rights for the AMP Diversified Property Trust.

⁸ EBITA information is not available but the price paid by Stockland Group equated to 9.4 times net profit after tax.

⁹ AMP Henderson received \$12.5 million for the asset management rights (2.3% of FUM) and \$5 million for the property management rights for the AMP Industrial Trust.

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Recent Transaction Evidence								
Date	Target	Transaction	Consideration ¹ (\$millions)	FUM ² (\$millions)	Consideration /FUM (%)	Revenue Multiple ³ (times) historical	EBITA Multiple ⁴ (times)	
							historical	forecast
Nov 2002	Valad Funds Management Limited	Acquisition by Valad Property Group prior to initial public offering	35.6	500	7.1%	na	na	7.1
Oct 2002	Abacus Funds Management Limited	Acquisition by Abacus Property Group prior to initial public offering	38.5	450	8.6%	5.4	na	na
Sep 2001	Management rights for Homemaker Retail Property Trust	Acquisition by GPT Management Limited	8.4	283	3.0%	na	na	na
May 2001	AXA Australia Property Management	Acquisition by Deutsche Asset Management	87.0	2,170	4.0%	na	na	na
Nov 2000	Westpac Property Trust Funds Management Limited	Internalisation of management company on formation of Investa Property Group	27.7	1,023	2.7%	5.0	8.9 ¹⁰	7.9
Aug 2000	Macquarie Industrial Trust Management Limited	Acquisition by Triden Corporation Limited	15.2	394	3.9%	7.2 ¹¹	10.9 ¹²	7.3 ¹²
Aug 2000	Christie Retail Management Limited	Internalisation of Homemaker Retail Property Trust management company	10.5	239	4.4%	2.6	4.3	4.6
Jul 2000	First Australian Property Group Holdings Pty Limited	Acquisition by Deutsche Australia Limited	70.0	1,635	4.3%	na	na	na
Sep 1999	Management rights for Prime Retail Group and three Heine Property Syndicates	Acquisition by Centro Property Group	7.0	168	4.2%	na	na	na
Sep 1999	Heine Management Limited	Acquisition by Mercantile Mutual Holdings Limited	102.6	2,700	3.8%	3.6	9.3	na
Aug 1999	Schroders Australian Property Funds Management	Acquisition by AMP Asset Management Limited	112.5	3,000	3.8%	na	na	na
Jun 1999	First Australian Property Group Holdings Pty Limited	Acquisition of 50.1% by Norwich Union Plc	62.4	1,800	3.5%	na	na	na
Jun 1999	Goodman Hardie Management Australia Limited	Acquisition by Triden Corporation Limited	19.6	542	3.6%	5.9	27.6	na
Apr 1999	Capcount Management Limited	Acquisition by Goodman Hardie Management Australia Limited	11.8	284	4.2%	5.3	na	na

Source: Bloomberg, IRESS, Company Reports, Brokers' Reports.

The transactions have taken place at prices that imply multiples in a wide range. When considering these multiples it is important to have regard to:

- the financial information in a number of transactions is limited and does not allow detailed analysis to be undertaken. Often the only data available is the price and the value of assets under management – consequently the only valuation parameter able to be calculated is the percentage of assets under management. As a valuation methodology this rule of thumb is unsatisfactory as it

¹⁰ The historical multiple reflects a reduction in the management fee from 0.75% to 0.65% per annum for eight months in the year and is therefore not a meaningful comparison.

¹¹ The management fee basis was restructured during the forecast year and therefore the historical multiple of revenue implied by the transaction is not meaningful. However, the transaction implied a multiple of 4.2 times revenue in the subsequent forecast year.

¹² As a result of the restructuring of the management fee basis during the forecast year, the historical and forecast EBITA multiples presented are not meaningful. However, the transaction implied a multiple of 5.0 times EBITA in the subsequent forecast year.

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generally fails to take account of the substantial differences in profitability that managers enjoy depending on the type of assets managed (e.g. wholesale, retail), the form of management activity (e.g. whether it includes both asset management and property management, development activities and syndication all of which impact staff level, revenue levels and costs), scale and the degree of tenure involved in the provision of asset management services. The better parameter for valuation purposes for these businesses is the implied multiple of EBITA;

- the transactions shown typically reflect the acquisition of businesses involving both the management of the assets of listed trusts as well property management (although some transaction such as Schroders Australia Property Funds Management, ICA Property Group and AXA Australia Property Management also included substantial wholesale real estate asset and property management activities and/or real estate syndication). Prices paid for businesses including both of these activities are likely to be greater (and therefore represent a greater percentage of FUM) than for the management of real estate assets only. Information is not usually available to allow the consideration to be allocated between the activities undertaken. However, during 2003 the prices paid to AMP Henderson Global Investors Limited ("AMP Henderson") as responsible entity for the AMP Industrial Trust and the AMP Diversified Property Trust, were apportioned between activities. AMP Henderson was paid \$12.5 million for the trust asset management rights and \$5 million for the property management rights for the AMP Industrial Trust by Macquarie Goodman Management Limited and \$25 million for trust asset management rights and \$14.3 million for the property management rights for the AMP Diversified Property Trust by Stockland Group. As a percentage of FUM the price allocated to the trust asset management rights in these two transactions equated to 2.3% and 1.3% respectively which are relatively low;
- there has been significant consolidation in the listed property trust sector in Australia in the last five years. The number of listed property trusts has decreased from over 60 in 1999 to around 45 trusts (with a market capitalisation in excess of \$70 billion) as at 30 June 2004 and sector consolidation is continuing with proposals announced during April-June 2004 in relation to the Westfield Group, General Property Trust, Centro Properties Group/Prime Retail Group and Principal America Office Trust/Macquarie Office Trust. The rationale behind industry consolidation has been participation in the benefits of size and scale including increased liquidity, greater diversification and a lower cost of capital but industry consolidation also reflects the limitations on growth in the relatively small Australian market;
- associated with the consolidation trend has been a substantial debate as to whether payment needs to be made to holders of management rights as unitholders hold the power under the Corporations Act, 2001 to remove the responsible entity by extraordinary resolution (passed by at least 50% of the total votes by unitholders entitled to vote including unitholders who are not present in person or proxy). There have been circumstances in recent times where no compensation was paid to responsible entities which were subsequently removed (e.g. the takeover of Principal Office Fund by Investa Property Group in June 2003, the takeover of AMP Shopping Centre Trust by Westfield Trust in May 2003¹³ and the takeovers of Advance Property Fund and the Flinders Industrial Trust by Stockland Group in October 2000 and July 2000 respectively) or where the responsible entity was removed by unitholders with no compensation (e.g. Lend Lease US Office Trust) or threatened with removal by unitholders with no compensation (e.g. Grand Hotel Group in October 2003).

However, as shown in the above table, during the last five years payments have been made for management rights in takeovers of listed property trusts and upon internalisation of management rights (e.g. Homemaker Retail Property Trust, Westpac Property Trust and Grand Hotel Group). Further, during 2003, in order to facilitate the transition of responsible entity and property manager, AMP Henderson was remunerated for the loss of both the trust asset and property management rights following the takeover of the AMP Industrial Trust and the AMP Diversified Property Trust (albeit at relatively low percentages of FUM).

- transactions involving entities with active property development or syndication activities (e.g. ICA Property Group) have generally taken place at higher percentages of FUM than transactions relating to management rights associated with more passive real estate asset management and property management services. This reflects the additional fees (e.g. development fees and entry and exit

¹³ Although AMP Henderson retained the property management rights to approximately 60% by value of the property portfolio of AMP Shopping Centre Trust.

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fees on syndication) derived by these businesses and the growth pipeline inherent in the business model;

- the transactions involving the acquisition of management rights prior to initial public offering (e.g. Valad Funds Management Limited and Abacus Funds Management Limited) are not meaningful as valuation parameters as they represent the pre-public offer restructuring of the interests of sponsors of the float; and
- holders of real estate asset and property management rights have faced substantial pressure on fee structures from investors in recent years as evidenced by the increased restructuring of fee bases towards lower percentages of assets under management. This fee pressure combined with the increased sector consolidation (with its associated risk of no compensation to the responsible entity) indicates that greater reliance should be placed on the more recent transaction evidence.

Having regard to these comments, the transaction evidence indicates that acquirers of predominantly real estate asset and property management rights have generally been willing to pay:

- 2.6-5.9 times historical revenue;
- 4.3-9.3 times historical EBITA and 4.6-7.9 times forecast EBITA; and
- 2.0-5.9% of FUM.

However, earnings data is extremely limited and the transactions upon which the high end of these ranges are based were all completed prior to January 2001.

It is generally accepted that acquirers pay lower percentages of FUM for management rights in relation to wholesale asset portfolios. There is limited transaction evidence to support this conclusion in relation to real estate asset and property management rights. However, there is some evidence which supports this conclusion in relation to predominantly wholesale asset portfolios as shown below:

Recent Transaction Evidence – Wholesale Funds Asset Management								
Date	Target	Transaction	Consideration ¹⁴ (\$millions)	FUM ¹⁵ (\$millions)	Consideration /FUM (%)	Revenue Multiple ¹⁶ (times) historical	EBIT Multiple ¹⁷ (times)	
							historical	forecast
Apr 2002	Rothschild Australian Asset Management (72% wholesale)	Acquisition by Westpac Banking Corporation	323.0	10,600	3.1%	na	na	na
Dec 2000	County Investment Management (98% wholesale)	Acquisition by Amvescap Plc	110.0	14,100	0.8%	na	na	na
Jun 1999	BT Funds Management (43% wholesale)	Acquisition by Principal Financial Group	2,100.0	37,600	5.6%	na	na	na
Jun 1998	JP Morgan Investment Management Australia (100% wholesale)	Acquisition by Salomon Smith Barney Asset Management	120.0 ¹⁸	7,800	1.5%	na	na	na
Oct 1997	County Natwest Investment Management (60-70% wholesale)	Acquisition by National Australia Bank Limited	80.0-100.0 ¹⁹	8,900	0.9-1.1%	na	na	na
May 1997	Axiom Funds Management (100% wholesale)	Acquisition by Deutsche Bank AG	240.0	18,000	1.3%	na	na	na

Source: Bloomberg, IRESS, Company Reports, Brokers' Reports.

¹⁴ Implied value if 100% of company or business had been acquired.

¹⁵ Assets under management.

¹⁶ Represents gross consideration divided by revenue. The gross consideration is the sum of the equity and/or cash consideration plus borrowings net of cash.

¹⁷ Represents gross consideration divided by EBIT.

¹⁸ Consideration not publicly disclosed by parties. However, market commentators speculated that the price was approximately \$120 million.

¹⁹ Consideration not publicly disclosed by parties. However, market commentators speculated that the price was approximately \$80-100 million.

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In considering these transactions the following factors should be taken into account:

- a number of the transactions were strategic in either providing the acquirer an entry into the Australian market (e.g. Principal's acquisition of BT Funds Management and Amvescap's acquisition of County Investment Management) or by achieving a quantum leap in the acquirer's funds under management (e.g. Westpac's acquisition of Rothschild Australian Asset Management); and
- there is no revenue or earnings data available in relation to these transactions and therefore the resulting value parameters are of limited use other than as an indication of implied percentages of FUM.

Further, the definition of what comprises wholesale versus retail FUM is imprecise. It is generally held that retail fund management activities are represented only by services provided to retail investors in unlisted equity funds and publicly listed property trusts. However, unitholder registers of listed property trusts are dominated by institutional investors which are seeking greater liquidity than they can obtain from unlisted property trusts or direct property investment. In addition, there is also a range of unlisted property investment vehicles (such as syndicates) in which both retail and institutional investors can invest (albeit with less liquidity) but these vehicles are usually classified as wholesale funds management activities. Further, the difference in the levels of management fees that can be charged for retail versus wholesale management activities is blurring over time as managers for listed property trusts come under investor pressure (i.e. from institutional investors) to minimise the loss of value as a consequence of external management structures.

2 Valuation Evidence from Sharemarket Prices

There are few listed Australian companies whose activities include real estate asset and property management. None of these following companies is involved purely in real estate asset and property management. However, they are all involved in funds management generally and the sharemarket data provides some guidance by which to assess the price to be paid for the 50% interest in DRH.

Sharemarket Ratings of Selected Listed Funds Management Companies									
	Market Capitalisation (\$millions)	FUM (\$millions)	Market Capitalisation /FUM (%)	EBITA Multiple ²⁰			Price Earnings Multiple ²¹		
				2003	2004	2005	2003	2004	2005
AMP Limited	11,871.2	72,800	16.3	23.0	na	na	19.2	16.6	17.4
AXA Asia Pacific Holdings Limited	6,829.8	49,600	13.8	16.5	na	na	7.1	16.3	14.9
Perpetual Trustees Limited	1,822.2	21,700	8.4	16.3	11.9	10.1	21.3	18.7	15.9
Macquarie Goodman Management Limited	942.7	4,500	20.9	43.7	17.0	20.1	54.9	25.0	28.3
Simple average				24.6	14.5	15.1	25.6	19.1	19.1
Weighted average ²²				20.7	13.6	13.5	17.1	17.0	16.9

Source: IRESS, Annual Reports, Brokers' Reports

The multiples shown above are based on sharemarket prices as at 13 August 2004 and do not reflect a premium for control. AMP Limited ("AMP") and AXA Asia Pacific Holdings Limited ("AXA") each have a 31 December year end while Macquarie Goodman Management Limited ("MGM") and Perpetual Trustees Limited ("Perpetual") have a 30 June year end.

The above analysis indicates that Australian companies with significant funds management businesses (albeit predominantly equities funds management activities) are trading on 2004 forecast multiples in the range of 12-17 times EBITA and 17-25 times net profit after tax. While MGM principally earns fees from real estate asset management and property service activities, its relatively high multiples reflect the expectation of strong growth off a low base in funds under management. Perpetual derives approximately

²⁰ Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITA.

²¹ Represents market capitalisation divided by net profit after tax before goodwill amortisation.

²² Weighted by market capitalisation.

Attachment 1

Independent Expert's Report

GRANT SAMUEL



60% of revenue from funds management. In addition to funds management, the operations of AMP and AXA include significant life insurance and other financial services activities and those companies trade on slightly lower price earnings multiples for 2004.

A brief description of each company is set out below:

AMP Limited

AMP is an international financial services organisation with two major divisions: AMP Financial Services and AMP Capital Investors, representing 81% and 13% of operating profit in the six months ended 30 June 2004. AMP Capital Investors is one of Australia's largest investment managers and operates in Australia and New Zealand. As at 30 June 2004 it had \$73 billion in funds under management on behalf of investors in Australia, New Zealand and Japan. Products and services are distributed to clients both directly and through financial planners. AMP Financial Services competes in the retail managed funds market in Australia and New Zealand distributing a range of financial products and services primarily through self-employed financial planners. On 12 December 2003 AMP demerged its United Kingdom-based operations, HHG plc ("HHG") which comprised Henderson's northern hemisphere asset management operations, AMP UK Financial Services (UKFS) and AMP's 50% stake in Virgin Money. AMP now holds an approximate 15% interest in HHG.

AXA Asia Pacific Holdings Limited

The core activities of AXA comprise the provision of life insurance (risk and savings), funds management and related financial services throughout the Asia Pacific region. The company's operations are in the Australasian region, China region and other Asian regions, representing 59%, 38% and 3% respectively of revenue in the 12 months ended 31 December 2003. In the Australasian region, AXA's wealth management division provides wholesale funds management products and services including commercial lending and structured finance operations, superannuation, and other savings products and services in Australia and New Zealand. AXA also has an extensive financial planning network. Total funds under management in Australia and New Zealand amounted to \$49.6 billion as at 30 June 2004. AXA is 51% owned by AXA S.A. and, on 6 August 2004, AXA S.A. announced a takeover for the 49% of shares in the company which it does not already own at \$3.75 per share.

Perpetual Trustees Limited

Perpetual offers a range of managed investment fund, financial advice, wealth management, estate, trustee and superannuation management services for individuals, families, charities and institutional investors. Perpetual is an independent manager and does not own an aligned distribution network and has recently focussed on changing its mix of business from wholesale to retail. The group also provides a range of corporate trust services to fund managers, superannuation trustees and capital market participants and owns 50% of Australia's second-largest share registrar, ASX Perpetual Registrars Ltd. In the six months ended 31 December 2003 Perpetual derived approximately 80% of revenue from wealth management with corporate trust and other comprising the remainder. As at 30 June 2004, Perpetual had \$21.7 billion funds under management, up 22% on the prior year.

Macquarie Goodman Management Limited

MGM is an integrated property company specialising in the development and management of warehouse/distribution centres, industrial estates, business parks and office parks throughout Australia. MGM is primarily involved in providing funds management, property management and development management services to Australian listed trusts Macquarie Goodman Industrial Trust ("MGI") and Macquarie Goodman Property Trust ("MGP") as well as Singapore listed industrial property trust, Ascendas Real Estate Investment Trust ("A-REIT"). MGM has a 40% interest in a joint venture with Singapore based Ascendas Pte Ltd which manages A-REIT. Over the six months to 31 December 2003, MGM generated 67% of revenue from funds management and 19% from property services.

Directory

Deutsche Diversified Trust

ARSN 089 324 541

Deutsche Industrial Trust

ARSN 090 879 137

Deutsche Office Trust

ARSN 090 768 531

DB RREEF Operations Trust

ARSN 110 521 223

Responsible entity of DDF

DB Real Estate Australia Limited

ABN 47 006 036 442

Responsible entity of DIT and DOT

Deutsche Asset Management (Australia) Limited

ABN 11 076 098 596

Responsible entity of DRO

DB RREEF Funds Management Limited

ABN 24 060 920 783

Directors of each responsible entity

Christopher Beare, Chairman

Stewart Ewen

Shaun Mays

William Robinson

Brian Scullin

David Shields

Secretaries of each responsible entity

Phillip Maher

Ian Thompson

Head of DB Real Estate - Australia

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For inquiries regarding holding, change of address, etc.
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Stock exchange listing

Listed on the Australian Stock Exchange

ASX Code: DDF, DIT DOT

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For legal reasons, all calls to the information line will be
recorded.

