Australian Securities Exchange - Company Announcements Platform

Centuria Property Funds No. 2 Limited
CENTURIA URBAN REIT

Merger Proposal – NOM and EM

Monday, 15 May 2017

On 3 March 2017 Centuria Property Funds No. 2 Limited (**CPF2L**) as Responsible Entity of Centuria Urban REIT (**CUA**) announced that it had entered into a Scheme Implementation Agreement with Centuria Property Funds Limited (**CPFL**) as Responsible Entity of Centuria Metropolitan REIT (**CMA**) for CMA to acquire all of the issued units in CUA in an "NTA-for-NTA" merger of equals transaction, by way of a trust scheme (**Proposal**).

CPFL has put forward the Proposal to, in effect, merge CUA and CMA to create a combined entity which CPFL considers will have greater scale, diversification and synergies for the benefit of both CUA and CMA Unitholders.

The independent directors of CPF2L formed an Independent Board Committee (**IBC**) and were tasked with considering the Proposal from the point of view of non-associated CUA Unitholders.

An independent expert was appointed and concluded that the Proposal is fair and reasonable to, and in the best interests of, non-associated CUA Unitholders in the absence of a superior proposal.

The IBC unanimously recommend that CUA unitholders vote in favour of the Proposal, in the absence of a Superior Proposal.

To proceed, the Proposal requires the approval of CUA Unitholders at a meeting to be held on Wednesday, 14 June 2017 at 10.00am at Level 39, 100 Miller Street, North Sydney NSW 2060.

If you have any questions in relation to the Proposal, please contact the CUA Unitholder Information line on 1300 651 367 (callers in Australia) or + 61 3 9415 4282 (callers outside Australia) between 8:30am and 5:30pm (Sydney time) Monday to Friday.

The CPF2L Directors look forward to your participation at the Meeting.

- Ends -

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About Centuria Property Funds No. 2 Limited

Centuria Property Funds No. 2 Limited (CPF2L), a wholly-owned subsidiary of Centuria Capital Group (CNI), is the Responsible Entity for the ASX listed Centuria Urban REIT (CUA) and Centuria Industrial REIT (CIP).

CPF2L, combined with Centuria Property Funds Limited (CPFL), the Responsible Entity for the ASX listed Centuria Metropolitan REIT (CMA), has approximately $3.0 billion of funds under management in 18 unlisted property funds and 3 listed REIT's.

CNI is an ASX-listed specialist investment manager with $3.8 billion in total funds under management.

Centuria

Notice of Meeting and Explanatory Memorandum

in relation to the merger of Centuria Urban REIT ARSN 106 453 196 and Centuria Metropolitan REIT ARSN 124 364 718

The Independent Directors of CPF2L unanimously recommend that you vote in favour of the Proposal in the absence of a Superior Proposal.

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding how to vote. If you are in any doubt about what to do, you should consult your financial, legal, tax or other professional adviser without delay.

Corporate Adviser

bg capital corporation ltd

Legal Adviser

HWL EBSWORTH LAWYERS

Important Notices

Purpose of this Explanatory Memorandum

This Explanatory Memorandum is issued, to the extent of the CUA Information, by Centuria Property Funds No. 2 Limited ACN 133 363 185 (AFSL number 340304) as Responsible Entity of Centuria Urban REIT ARSN 106 453 196 (**CUA**) in connection with the Scheme under which Centuria Property Funds Limited ACN 086 553 639 (AFSL number 231149) as Responsible Entity of Centuria Metropolitan REIT ARSN 124 364 718 (**CMA**) proposes to acquire all of the CUA Units on issue (other than those CUA Units in respect of which CPFL or its custodian is the registered holder on the Record Date) (**Proposal**).

This Explanatory Memorandum provides CUA Unitholders with information about the Proposal and provides such information as is prescribed or otherwise material to the decision of CUA Unitholders on how to vote on the Proposal at the Meeting.

The Notice of Meeting is in Annexure 1 to this Explanatory Memorandum. The Supplemental Deed, which will effect the Scheme, is in Annexure 3 to this Explanatory Memorandum.

CMA Unitholder Meeting

The CMA Unitholder Meeting will be held on 14 June 2017 at which the CMA Unitholders will be asked to consider and, if thought fit, pass the CMA Unitholder Resolution.

The Proposal is conditional upon, among other things, the CMA Unitholders approving the CNI Acquisition for the purposes of Listing Rule 10.1. The conditions of the Proposal are considered in Section 12.19.1.

For the avoidance of doubt, this Explanatory Memorandum relates only to the Meeting and not the CMA Unitholder Meeting.

If you are both a CUA Unitholder and a CMA Unitholder, you should refer to the notice of meeting and explanatory statement for the CMA Unitholder Meeting for information in relation to that meeting.

PDS for continuously quoted securities

Eligible CUA Unitholders are being offered CMA Units as part of the consideration under the Scheme. Accordingly, this Explanatory Memorandum is also a transaction-specific product disclosure statement (**PDS**) issued by CPFL as Responsible Entity of CMA under section 1013FA of Part 7.9 of the Corporations Act in respect of the issue of New CMA Units under the Proposal. The CMA Information constitutes the PDS given by CPFL to CUA Unitholders for the purpose of Division 2 of Part 7.9 of the Corporations Act in respect of the issue of New CMA Units under the Proposal.

As a transaction-specific PDS for continuously quoted securities (as defined in the Corporations Act) (namely, CMA Units), it does not contain the same level of disclosure as a PDS prepared in respect of financial products that are not continuously quoted securities. In preparing this PDS, regard has been had to the fact that CMA is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom investors may consult.

General

If you are a CUA Unitholder you should read this Explanatory Memorandum in its entirety before making a decision as to how to vote on the Resolutions to be considered at the Meeting. In particular, it is important you consider the potential disadvantages and potential risks of the Proposal as set out in Section 3, the risk factors associated with the Proposal as set out in Section 9 and the views of the Independent Expert as set out in the Independent Expert's Report contained in Section 10.

If you have any questions, you should contact the CUA Unitholder Information line on 1300 651 367 (callers in Australia) or + 61 3 9415 4282 (callers outside Australia) between 8:30am and 5:30pm (Sydney time) Monday to Friday.

The Independent Directors of CPF2L recommend that you also seek advice from your financial, legal, tax or other professional adviser.

CPFL may be contacted at Level 39, 100 Miller Street, North Sydney NSW 2060, telephone: +61 2 8923 8923, fax: +61 2 9460 2960.

No investment advice

This Explanatory Memorandum contains general financial product advice only and has been prepared without taking account of any CUA Unitholder's, or any other person's, investment objectives, financial situation, tax position or particular needs.

Before acting on any of the matters described in this Explanatory Memorandum, you should have regard to your investment objectives, financial situation, tax position and particular needs and obtain your own financial, legal, tax and other advice by contacting your financial, legal, tax or other professional adviser before making any investment decision and any decision as to whether or not to vote in favour of the Resolutions as relevant to you.

Your current investment in CUA is subject to investment and other risks, including the possible loss of income and capital invested. CPF2L gives no guarantee or assurance as to the performance of CUA or the repayment of capital.

If the Scheme is implemented and you receive New CMA Units, your investment in CMA will be subject to investment and other risks, including the possible loss of capital invested. Neither CPF2L nor CPFL gives any guarantee or assurance as to the performance of CMA or the repayment of capital.

Neither this Explanatory Memorandum nor the Taxation Report in Section 11 constitute tax advice. You should consult your own tax adviser regarding the consequences of the Scheme in light of your particular circumstances.

Responsibility statement

CPF2L has provided, and is responsible for, the CUA Information in this Explanatory Memorandum and CPFL and its Directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the CUA Information.

CPFL has provided, and is responsible for, the CMA Information in this Explanatory Memorandum and CPF2L and its Directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the CMA Information.

The CMA Information that relates to CMA post implementation of the Proposal has been prepared by CPFL based in part on information provided by CPF2L to CPFL. CPFL has compiled the Pro Forma Financial Information, which is included in Section 8.

Except to the extent that CPF2L is responsible for the information which it has provided to CPFL for this purpose (and CPF2L assumes responsibility for that information), CPFL takes responsibility for the information concerning CMA including the Pro Forma Financial Information.

Lonergan Edwards & Associates has prepared the Independent Expert's Report in relation to the Proposal contained in Section 10 and takes responsibility for that report. CPF2L, CPFL and their respective Directors, officers, employees and advisers do not assume any responsibility for the accuracy or completeness of the Independent Expert's Report.

Ernst & Young have prepared the Taxation Report included in Section 11. CPF2L, CPFL and their respective Directors, officers, employees and advisers do not assume any responsibility for the accuracy of the Taxation Report, except to the extent that those parties are responsible for the information provided to Ernst & Young in the preparation of the Taxation Report. Ernst & Young does not assume any responsibility for the accuracy or completeness of any other part of this Explanatory Memorandum.

Regulatory information

The Notice of Meeting in relation to the Meeting at which CUA Unitholders will vote on the Proposal is set out in Annexure 1 to this Explanatory Memorandum.

CPFL is the issuer of New CMA Units to CUA Unitholders (other than CPFL or its custodian). This Explanatory Memorandum is a PDS issued by CPFL, under section 1013FA of Part 7.9 of the Corporations Act, for the New CMA Units issued if the Proposal proceeds.

A copy of this Explanatory Memorandum was lodged with ASIC on 12 May 2017. Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

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

Forward Looking Statements

Certain statements in this Explanatory Memorandum relate to future matters (**Forward Looking Statements**). The Forward Looking Statements in this Explanatory Memorandum are not based on historical facts, but rather reflect the current expectations of CPF2L in relation to the CUA Information, or CPFL in relation to the CMA Information, concerning future results and events. These statements generally may be identified by the use of forward looking words or phrases such as "believe", "aim", "expect", "anticipated", "intending", "foreseeing", "likely", "should", "planned", "may", "estimate", "potential", or other similar words and phrases. Similarly, statements that describe CPF2L's or CPFL's objectives, plans, goals or expectations are or may be Forward Looking Statements.

These Forward Looking Statements involve known and unknown risks, uncertainties, assumptions and other important factors and variables that could cause the actual results, performance or achievements of CUA or CMA to be materially different from future results, performance or achievements expressed or implied by such statements. Such Forward Looking Statements are based on numerous assumptions regarding present and future operating strategies and the environment in which CUA or CMA will operate in the future. The risk factors described in Section 9 could affect future results of CUA or CMA, causing them to differ materially from those expressed, implied or projected in any Forward Looking Statements. Those risk factors are not all of the factors, variables or uncertainties that could cause actual results to differ materially from those expressed in any Forward Looking Statements. Other unknown factors, variables or uncertainties could also have a materially adverse effect on the future results of CUA or CMA. Forward Looking Statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on Forward Looking Statements.

The historical financial performance of CUA and CMA is no assurance or indicator of the future financial performance of CUA and/or CMA (whether or not the Proposal proceeds). Neither CPF2L nor CPFL guarantee any particular rate of return or the performance of CUA or CMA nor do they guarantee the repayment of capital from CUA or CMA or any particular tax treatment.

All subsequent written and oral Forward Looking Statements attributable to CUA or CMA or any person acting on their behalf are qualified by this cautionary statement.

Other than as required by law, none of CPF2L, CPFL or any of their respective Directors or any other person gives any representation, assurance, warranty (whether express or implied) or guarantee that the accuracy, likelihood or occurrence of the events or results expressed or implied in any Forward Looking Statements in this Explanatory Memorandum will actually occur. Accordingly, you are cautioned not to place undue reliance on those statements.

The Forward Looking Statements in this Explanatory Memorandum reflect views held only at the date of this Explanatory Memorandum. Subject to any continuing obligations under ASX Listing Rules or the Corporations Act, and except as otherwise specifically stated in this Explanatory Memorandum, CPF2L, CPFL and their respective Directors disclaim any obligation or undertaking to distribute after the date of this Explanatory Memorandum any updates or revisions to any Forward

Looking Statements to reflect any change in expectations of CPF2L or CPFL or any change in events, conditions or circumstances on which any such statement is based.

Updated information

CMA Information (which forms a PDS issued by CPFL) may change from time to time. Information that has changed in relation to CMA that is not materially adverse but which CPFL wishes to provide to CUA Unitholders will be made available on CMA's website at http://centuria.com.au/. A paper copy of any updated information will be given, or an electronic copy made available, to any person by CPFL without charge on request.

CPFL may issue a supplementary PDS to change a statement, or supplement any relevant information not contained, in the CMA Information, in accordance with the requirements of, and CPFL's obligations under, the Corporations Act. Any supplementary PDS should be read together with this Explanatory Memorandum. Any supplementary PDS will be given by CPFL in accordance with its obligations under the Corporations Act. A copy of any supplementary PDS regarding CMA will be made available on CMA's website at http://centuria.com.au/ and a printed copy will be available from CPFL free of charge upon request.

Notice to persons outside Australia

The Scheme relates to the securities of Australian entities. This Explanatory Memorandum complies with the disclosure requirements of Australia, which may be different from the requirements applicable in other jurisdictions. The financial information included in this document is either based on financial statements that have been prepared in accordance with Australian Accounting Standards or, in the case of pro forma consolidated financial information, policies adopted by CMA, both of which may differ from generally accepted accounting principles in other jurisdictions.

This Explanatory Memorandum and the Scheme do not constitute an offer of New CMA Units in any place in which, or to any person to whom, it would not be lawful to make such an offer.

If you are an Ineligible Foreign Unitholder, you are not eligible to receive New CMA Units under the Scheme. Ineligible Foreign Unitholders should refer to Section 5.3.

This Explanatory Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to any 'US person' (as defined in Regulation S under the US Securities Act (**US Person**)).

New CMA Units have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to any US Person without being so registered or pursuant to an exemption from registration.

Notice to persons in New Zealand

The offer of New CMA Units under the Scheme is an offer to Scheme Unitholders, who on the Record Date have an address on the CUA Register that is in New Zealand.

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (http://www.fma.govt.nz). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

Privacy and personal information

CPFL, CPF2L, the CUA Registry and the CMA Registry may collect and disclose to each other personal information in the process of implementing the Proposal including administering the securityholdings arising from the Proposal. The personal information may include the names, addresses, other contact details, bank account details and details of the holdings of CUA Unitholders, and the names of individuals appointed by CUA Unitholders as proxies, corporate representatives or attorneys at the Meeting. The collection of some of this information is required or authorised by the Corporations Act.

CUA Unitholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. Such individuals should contact the CUA Registry on 1800 182 257 within Australia and 02 9290 9689 from overseas in the first instance if they wish to request access to that personal information.

The personal information is collected for the primary purpose of assisting CPFL and CPF2L to implement the Proposal (including administering the securityholdings arising from the Proposal) and conduct the Meeting. The main consequence of not collecting the personal information outlined above would be that CPFL, CPF2L, the CUA Registry and the CMA Registry may be hindered in, or prevented from, conducting the Meeting and implementing the Proposal (including administering the securityholdings arising from the Proposal).

The personal information may also be disclosed to the related bodies corporate of CPFL, CPF2L, the CMA Registry and the CUA Registry, third party service providers, including print and mail service providers, authorised securities brokers and professional advisers and to ASX and other regulatory authorities, and in any case, where disclosure is required or allowed by law or where the individual CUA Unitholder has consented. Personal information of CUA Unitholders may also be used to contact them in relation to their CUA Units or the Proposal.

CUA Unitholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should ensure that they inform that person of the matters outlined above.

Defined terms and interpretation

Capitalised terms used in this Explanatory Memorandum and the Proxy Form are defined in the Glossary in Section 14 or in the body of this Explanatory Memorandum. Some Annexures to this Explanatory Memorandum use their own terms and abbreviations, which may have different defined meanings to those set out in the Glossary in Section 14.

Unless otherwise indicated, all references to Sections and Annexures are references to sections and annexures of this Explanatory Memorandum.

A reference in this Explanatory Memorandum to a statute or other law includes regulations and other instruments made under it and consolidations, amendments, re-enactments or replacements of any of them.

Currency and financial information

Unless stated otherwise, all references to dollars, $, cents or c in this Explanatory Memorandum are to Australian currency.

Unless stated otherwise or implied, references to dates or years are financial year references. All financial and operational information contained in this Explanatory Memorandum is stated as at the date of this Explanatory Memorandum unless otherwise specified.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Explanatory Memorandum are subject to the effect of rounding. Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Explanatory Memorandum.

As a result, any calculations you make based on the figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Explanatory Memorandum may differ from the correct answers to those calculations.

Diagrams, charts, maps, graphs and tables

Any diagrams, charts, maps, graphs and tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale.

Time

Unless stated otherwise, all references to time in this Explanatory Memorandum are to Sydney time.

Implied value

Any reference to implied value of the Scrip Consideration should not be taken as an indication that eligible CUA Unitholders will receive cash for that component of the Scheme Consideration. The implied value of the Scrip Consideration is not fixed. As eligible CUA Unitholders are being offered CMA Units as partial consideration for their CUA Units under the Scheme, the implied value of the Scrip Consideration will vary with the market price of CMA Units. This also applies to Ineligible Foreign Unitholders whose Scrip Consideration will be issued to the Nominee to sell on their behalf. Any cash remitted to Ineligible Foreign Unitholders under the Sale Facility will depend on the market price of CMA Units at the time of sale by the Nominee.

Date

This Explanatory Memorandum is dated 12 May 2017.

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Key dates for the Proposal

Event	Date
Latest date and time for receipt of Proxy Forms for the Meeting	**10:00 am, 12 June 2017**
Date for determining eligibility of CUA Unitholders to vote at the Meeting	**7:00 pm, 13 June 2017**
Meeting of CMA Unitholders	**9:30 am, 14 June 2017**
Meeting of CUA Unitholders	**10:00 am, 14 June 2017**

Additional key dates if the Resolutions considered at the Meeting are approved by CUA Unitholders

Event	Date
Effective Date – amendments to the CUA Constitution to give effect to the Scheme are lodged with ASIC	15 June 2017
Last day of trading of CUA Units on ASX and suspension of CUA Units at close of trading	15 June 2017
New CMA Units commence trading on a deferred settlement basis	16 June 2017
Record Date – date for determining entitlements to Scheme Consideration	19 June 2017
Implementation Date – date on which the Scheme Consideration will be provided	29 June 2017
Despatch of holding statements for New CMA Units to Scheme Unitholders	By 29 June 2017
Deferred settlement trading on New CMA Units ends at close of trading	29 June 2017
Trading of New CMA Units commences on ASX on a normal settlement basis	30 June 2017

All times are references to Sydney time.

All dates following the date of the Meeting are indicative only and may be changed by CPF2L subject to the approval of CPFL and, where required, ASX. Any changes to the above timetable will be announced on ASX and notified on CUA's website at www.centuria.com.au.

Letter from the Independent Directors of CPF2L

Dear CUA Unitholder

On 3 March 2017, Centuria Property Funds No. 2 Limited (**CPF2L**) as Responsible Entity of Centuria Urban REIT (**CUA**), announced that it had entered into a Scheme Implementation Agreement with Centuria Property Funds Limited (**CPFL**) as Responsible Entity of Centuria Metropolitan REIT (**CMA**) for CMA to acquire all of the issued units in CUA in a "NTA-for-NTA" merger of equals transaction by way of Trust Scheme (the **Proposal**).

On 21 April 2017, CPF2L announced that the Scheme Implementation Agreement had been amended to include a condition precedent to the Proposal that non-associated CMA Unitholders approve the acquisition by CMA under the Proposal of CUA Units held by a subsidiary of Centuria Capital Group (**CNI**). CNI is the parent company of CPFL and CPF2L.

CPFL has put forward the Proposal to, in effect, merge CUA and CMA to create a combined entity which CPFL considers will have greater scale, diversification and synergies for the benefit of both CUA and CMA unitholders.

As the Independent Directors of CPF2L, we formed an independent board committee (**IBC**) and were tasked with considering the Proposal from the point of view of non-associated CUA Unitholders. The remaining director, Mr John Slater, is also a director of Centuria Capital Limited and, as his competing duties may have placed him potentially in a conflict of duty, he did not participate as a member of the IBC.

The IBC:

- appointed independent legal and corporate advisers to provide professional advice on the Proposal and to undertake due diligence enquiries in relation to the Proposal;
- appointed Lonergan Edwards & Associates as an independent expert to provide its opinion on whether the Proposal is fair and reasonable to, and in the best interests of, non-associated CUA Unitholders;
- appointed Ernst & Young to provide accounting and tax advice; and
- had regard to the advice received in assessing the Proposal.

This Explanatory Memorandum contains details of the Proposal and information about CUA and CMA and a detailed report from Lonergan Edwards & Associates (as an independent expert), opining on the merits of the Proposal.

We unanimously recommend that CUA Unitholders vote in favour of the Proposal, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, non-associated CUA Unitholders in the absence of a superior proposal.

Background

CUA was originally named 360 Capital Office Fund (**TOF**) and had 360 Capital Investment Management Limited (**CIML**) as its responsible entity when it was floated on the ASX in April 2014. Until January 2017 CIML was a wholly-owned subsidiary of 360 Capital Group (**TGP**).

In January 2017, Centuria Capital Group acquired the funds management platform of TGP. As part of the acquisition, Centuria Capital Limited acquired CIML and renamed it Centuria Property Funds No. 2 Limited and TOF was renamed as CUA.

As part of that transaction, Centuria Capital Group acquired a 19.99% stake in CUA, and CMA acquired an 8.76% stake in CUA (both stakes were acquired from TGP).

The conditions of the Proposal

The Proposal is subject to a number of conditions including (importantly) CUA Unitholder approval of the Resolutions, CMA Unitholder approval of the CNI Acquisition for the purposes of Listing Rule 10.1 and other conditions referred to in Section 12.19.1.

Proposal overview

If the Proposal is implemented, CUA will become wholly owned by CMA and eligible CUA Unitholders will receive:

- 0.88 New CMA Units for every 1 CUA Unit held (**Scrip Consideration**); plus
- $0.23 cash consideration for every 1 CUA Unit held (**Cash Consideration**).

If the Proposal is implemented, New CMA Units issued to Scheme Unitholders under the Proposal will rank equally with all other CMA Units on issue and therefore will have full entitlement to any CMA distribution for periods ending after the Implementation Date.

Ineligible Foreign Unitholders will not receive any New CMA Units under the Scheme, but will receive the Cash Consideration and the proceeds of sale (net of brokerage) by the Nominee of the New CMA Units to which the Ineligible Foreign Unitholders would otherwise be entitled as Scrip Consideration. Please refer to Section 5.3 for more details.

Entitlements to distribution

CUA Unitholders, whose CUA Units are to be acquired by CMA, will be entitled to a distribution of not more than 3.75 cents per CUA Unit to be paid in respect of the period 1 April 2017 to the Distribution Entitlement Date (expected to be 28 June 2017).

From the issue to them of New CMA Units, CUA Unitholders will participate fully in CMA distributions for any subsequent distribution periods commencing after the Distribution Entitlement Date.

Why should CUA Unitholders vote in favour of the Proposal?

If implemented, the Proposal will provide Scheme Unitholders who receive New CMA Units with an investment in a Merged Group that will be one of the largest metropolitan office-focused REITs on the ASX.

We believe that the Proposal offers the following potential benefits:

- significant distributable earnings accretion;
- a material increase in scale and diversification;
- the continuation of the metropolitan office investment mandate;
- a reduction in ongoing base management fee; and
- an improved trading liquidity and increased market capitalisation with potential for S&P/ASX 300 Index inclusion.

See Section 2 for more details of the potential benefits of the Proposal.

Disadvantages of the Proposal

There are potential disadvantages associated with the Proposal, which may include:

- a reduction in CUA's equivalent net tangible asset per CUA Unit (as a result of transaction costs associated with implementing the Scheme);
- based on CPFL's intentions, the Merged Group will have a higher gearing than CUA;
- the potential variability in the implied offer price due to movements in the CMA Unit price; and
- exposure to CMA's industrial property assets, which may not be consistent with your investment preferences.

See Section 3 for more details of the potential disadvantages of the Proposal. There are risks associated with the Proposal including:

- specific risks relating to the Proposal (for example, that CUA's due diligence enquiries may not have identified all material risks), CMA (including its dependence upon debt finance) and the Merged Group (such as implementation and transitional issues); and
- general investment risks shared with all A-REITs.

See Section 9 for more details about the risks of the Proposal.

Independent Expert's Report

As the Independent Directors of CPF2L we appointed Lonergan Edwards & Associates as the Independent Expert to provide an opinion on the Proposal for CUA Unitholders.

The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, non-associated CUA Unitholders in the absence of a superior proposal.

Section 10 contains a copy of the Independent Expert's Report.

Next Steps

To proceed, the Proposal requires the approval of CUA Unitholders at a Meeting to be held on Wednesday, 14 June 2017 at 10:00am.

This Explanatory Memorandum contains important information in relation to the Proposal. We urge you to read it carefully and to seek advice from your financial, legal, tax or other professional adviser before making any investment decision in relation to your CUA Units and how to vote at the Meeting.

Votes may be cast in person, by proxy, by attorney or, in the case of a corporation, by its duly appointed corporate representative. Please see the Notice of Meeting and Section 4 for full details on how votes may be cast and timing requirements.

If you have any questions in relation to the Proposal, please contact the CUA Unitholder Information line on 1300 651 367 (callers in Australia) or + 61 3 9415 4282 (callers outside Australia) between 8:30am and 5:30pm (Sydney time) Monday to Friday.

Conclusion

Having reviewed the Proposal, we are pleased to present this opportunity to the CUA Unitholders and look forward to your participation at the Meeting.

Your vote is important and we encourage you to vote in favour of the Proposal, in the absence of a Superior Proposal.

Yours sincerely,

Michael Figg
Independent Director
Centuria Property Funds No. 2 Limited

Rob Lloyd
Independent Director
Centuria Property Funds No. 2 Limited

What do I need to do?

Step 1: Carefully read this Explanatory Memorandum and seek professional advice

You should read this Explanatory Memorandum in full and seek financial, legal, tax or other professional advice before making any decision in relation to your CUA Units and how to vote at the Meeting.

Step 2: Vote on the Scheme

If you are a CUA Unitholder on the CUA Register at 7:00pm (Sydney time) on 13 June 2017 you are entitled to vote on whether you want the Proposal to proceed or not (unless you are subject to the voting exclusions set out in Section 12.1 and the Notice of Meeting).

You can vote:

- in person, by attending the Meeting to be held at Level 39, 100 Miller Street, North Sydney, New South Wales, at 10:00am, Wednesday, 14 June 2017; or
- by proxy, using the enclosed Proxy Form.

To ensure your Proxy Form is valid, you must return it by 10:00am on Monday, 12 June 2017.

You can do this:

- **by mailing to:** Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001 (using the enclosed reply paid envelope) – it is important that if you are posting your Proxy Form you leave sufficient time for it to be delivered by the deadline for receipt of proxies;
- **by faxing to:** +61 2 9290 9655;
- **by hand delivery to:** Boardroom Pty Limited, Level 12, 225 George Street, Sydney; or
- **by hand delivery to:** CPF2L's registered office: Level 39, 100 Miller Street, North Sydney.

1. Frequently Asked Questions

This Section is a summary only and is not intended to address all the relevant issues for CUA Unitholders arising from the Proposal. CUA Unitholders should read this Explanatory Memorandum in its entirety and seek financial, legal, tax or other professional advice. This Section should be read in conjunction with the other Sections of this Explanatory Memorandum.

Question	Answer	More Information
Explanatory Memorandum and Notice of Meeting		
Why have I received this Notice of Meeting and Explanatory Memorandum?	This document is a Notice of Meeting and Explanatory Memorandum that has been sent to you because you are a CUA Unitholder and you are being asked to vote on the Resolutions to approve the Proposal. This Explanatory Memorandum is intended to help you to decide how to vote on the Resolutions at the Meeting.	Section 4
Proposal overview		
What is the Proposal?	The Proposal involves the acquisition by CPFL of all of the CUA Units (other than those registered in CPFL's or its custodian's name on the Record Date) by way of a trust scheme facilitated by amendments to the CUA Constitution and a resolution pursuant to section 611 item 7 of the Corporations Act. If the Proposal is approved then eligible CUA Unitholders will receive: • 0.88 New CMA Units for every 1 CUA Unit held (**Scrip Consideration**); plus • $0.23 cash consideration for every 1 CUA Unit held (**Cash Consideration**). CPFL will fund the Cash Consideration from existing CMA debt facilities. Each New CMA Unit issued on implementation of the Proposal will rank equally with all existing CMA Units.	Section 5
What will happen to CUA if the Proposal is implemented?	If the Proposal is implemented, CUA will become wholly owned by CMA and an application will be made for termination of the official quotation of CUA Units on ASX, and to have CUA removed from the official list of ASX. CPFL may also procure that CUA ceases to be a registered scheme with ASIC.	Section 5

Question	Answer	More Information
Are there conditions to the Proposal proceeding?	Yes, implementation of the Proposal is subject to the satisfaction or waiver (as applicable) of a number of conditions precedent including: • CUA Unitholder approval of the Resolutions; • CMA Unitholder approval of the CNI Acquisition for the purposes of Listing Rule 10.1; • there is no Material Adverse Change or Prescribed Occurrence in respect of CUA or CMA; • the Independent Directors of CPF2L do not change or withdraw their recommendation that CUA Unitholders approve the Resolutions or support a Superior Proposal; and • the Scheme Implementation Agreement is not materially breached or terminated.	Section 12.19.1
Is the Proposal conditional on the consent of CUA debt facility providers?	No, the conditions precedent do not include obtaining consents from CUA's debt facility providers.	N/A
Are there any termination rights?	Yes, the Scheme Implementation Agreement contains standard termination rights for both CPFL and CPF2L. These termination rights include allowing termination by either party if: • CPF2L receives a Superior Proposal after the signing of the Scheme Implementation Agreement and the Independent Directors of CPF2L publicly recommend, promote or otherwise endorse the Superior Proposal; • the other party is in material breach of the Scheme Implementation Agreement; • a Prescribed Occurrence occurs in respect of the other party; • a Material Adverse Change occurs in respect of the other party; or • the conditions precedent are not satisfied or waived unless they cannot be satisfied or waived because of that party's breach.	Section 12.19.6
Have the Independent Directors of CPF2L received any alternative proposals to the Proposal?	No. As at the date of this Explanatory Memorandum, the Independent Directors of CPF2L have not received any alternative proposals to the Proposal.	N/A

Question	Answer	More Information
Independent Expert's opinion and the recommendation of the Independent Directors of CPF2L		
What is the opinion of the Independent Expert?	The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, non-associated CUA Unitholders in the absence of a superior proposal.	Section 10
Do the Independent Directors recommend the Proposal?	Yes. The Independent Directors of CPF2L unanimously recommend that CUA Unitholders vote in favour of the Proposal, in the absence of a Superior Proposal.	Section 2
Participation in the Proposal		
Who is entitled to participate in the Proposal?	If the Resolutions are passed and the conditions precedent are satisfied or waived (if applicable) and the Proposal is implemented, all CUA Unitholders on the CUA Register (other than CPFL or its custodian) at the Record Date (**Scheme Unitholders**) will become entitled to the Scheme Consideration in respect of the CUA Units they hold at that time, subject to the terms of the Sale Facility applicable to Ineligible Foreign Unitholders.	Section 5.3
Who is an Ineligible Foreign Unitholder?	An Ineligible Foreign Unitholder is a CUA Unitholder whose address as shown in the CUA Register (on the Record Date) is a place outside Australia (or its external territories) or New Zealand (unless CPFL determines that it is lawful and not unduly onerous or impracticable to issue them with New CMA Units when the Proposal is implemented).	Section 5.3
What if I am an Ineligible Foreign Unitholder at the Record Date?	If the Resolutions are passed and the conditions precedent are satisfied or waived (if applicable) and the Proposal is implemented, Ineligible Foreign Unitholders will receive cash through the Sale Facility instead of New CMA Units. They will also receive the Cash Consideration.	Section 5.3
When will I receive my cash if I am an Ineligible Foreign Unitholder?	Ineligible Foreign Unitholders will be paid the cash they are entitled to receive under the Sale Facility promptly after all funds from the sale of the CUA Units have been received by CPF2L (which will occur not more than 25 Business Days after the Implementation Date). They will receive the Cash Consideration at the same time as other Scheme Unitholders.	Section 5.3

Question	Answer	More Information
Potential benefits, disadvantages and risks of the Proposal		
Why should I vote in favour of the Proposal?	The Independent Directors of CPF2L consider that there may be a number of potential benefits for CUA Unitholders that could flow from the Proposal being implemented: • significant distributable earnings accretion; • a material increase in scale and diversification; • the continuation of the metropolitan investment mandate; • a reduction in ongoing base management fee; and • an improved trading liquidity and increased market capitalisation with potential for S&P/ASX 300 Index inclusion. The Independent Expert has concluded that the Proposal is fair and reasonable, and in the best interests of non-associated CUA Unitholders in the absence of a Superior Proposal.	Section 2 Section 10
Why might I consider voting against the Proposal?	There are potential disadvantages for CUA Unitholders in undertaking the Proposal: • the reduction in CUA's equivalent net tangible asset value per CUA Unit; • the Merged Group is expected to have higher gearing than CUA; • the potential variability in the implied offer price due to movements in the CMA Unit price; and • exposure to CMA's industrial property assets, which may not be consistent with your investment preferences. These potential disadvantages may be reasons why CUA Unitholders consider voting against the Resolutions.	Section 3

Question	Answer	More Information
What are the key risks associated with the Proposal?	You should carefully read Section 9 which sets out the risk factors associated with the Proposal. As a brief summary, there are: • **specific risks** relating to: – **the Proposal** – these include that the exact value of the Scrip Consideration is not certain and it will fluctuate in accordance with the market value of CMA Units and that the due diligence undertaken in relation to the Proposal may have been inadequate so that other disadvantages or risks of the Proposal have not been appropriately disclosed or addressed; – **CMA** – for example dependence on the availability of debt finance and tax matters; and – **the Merged Group** – after implementation of the Scheme there may be transitional and integration, accounting or tax issues and it is likely that the Merged Group will have a higher gearing ratio compared to CUA; and • **general investment risks** shared with all A-REITS (such as tenant defaults or lease expirations, falling property prices and unforeseen capital expenditure) and with listed investments (including general economic factors, interest rates and market risks).	Section 9
Meeting details, voting and approval thresholds		
When and where will the Meeting be held?	The Meeting will be held at Level 39, 100 Miller Street, North Sydney, New South Wales on Wednesday, 14 June 2017, commencing at 10:00am (Sydney time).	Section 4
Who is entitled to vote at the Meeting?	All CUA Unitholders on the CUA Register as at 7:00pm (Sydney time) on 13 June 2017 (the **Voting Record Date**) are entitled to attend and vote at the Meeting, subject to the voting exclusions set out in Section 12.1.	Section 4 and Section 12.1
Why should I vote?	Voting is not compulsory. However your vote will be important in determining whether the Proposal will proceed. The Independent Directors of CPF2L recommend that you read this Explanatory Memorandum carefully, seek professional investment advice and vote in favour of the Proposal, in the absence of a Superior Proposal.	Section 4

Question	Answer	More Information
What are the Resolutions?	There are two CUA Unitholder Resolutions being proposed: • an ordinary resolution under item 7, Section 611 of the Corporations Act approving the acquisition by CPFL of CUA Units; and • a special resolution for the purposes of Section 601GC(1)(a) of the Corporations Act to approve amendments to the CUA Constitution as set out in the Supplemental Deed.	Notice of Meeting
What voting majorities are required for the Proposal?	Approval of the Proposal will require the CUA Unitholders to approve each resolution by the following majorities: • the ordinary resolution approving the acquisition of CUA Units must be passed by more than 50% of the votes cast on the resolution (whether in person, by proxy or by corporate representative) by CUA Unitholders who are entitled to vote; and • the special resolution approving the amendments to the CUA Constitution must be passed by 75% or more of the votes cast on the resolution (whether in person, by proxy or by corporate representative) by CUA Unitholders who are entitled to vote.	Section 4
What choices do I have as a CUA Unitholder?	As a CUA Unitholder, you have the following choices: • you can vote at the Meeting in person, by proxy, by attorney or, in the case of a body corporate, by duly appointed corporate representative; • you can elect not to vote at the Meeting; • you can sell your CUA Units prior to the suspension of trading in CUA Units; or • you can do nothing.	Section 4
If I wish to support the Proposal, what should I do?	If you are a CUA Unitholder on the Voting Record Date and you are entitled to vote on the Resolutions at the Meeting and wish to support the Proposal, you should vote in favour of the Resolutions.	Section 4
How do I vote?	You may vote in person by attending the Meeting. Alternatively, if you do not want to, or cannot attend in person, you can vote by proxy, by attorney or by corporate representative (in the case of a body corporate) in accordance with the instructions in the Notice of Meeting.	Section 4

Question	Answer	More Information
What happens if I vote against the Proposal or do not vote?	If you do not vote, or if you vote against the Proposal or either of the Resolutions, then the Proposal may not be approved. The Proposal cannot be implemented unless both Resolutions are passed by the requisite majorities of CUA Unitholders at the Meeting. However, even if you do not vote or vote against either of the Resolutions, this does not mean the Proposal will not be approved. If you vote against the Resolutions and they are approved by the requisite majorities and the conditions precedent are satisfied or waived (if applicable), the Proposal will be implemented.	Section 4
Can I keep my CUA Units if the Proposal is approved and is implemented?	No. If the Resolutions are passed by the requisite majorities (even if you did not vote, or voted against the Resolutions) and the Proposal is implemented, you will be bound by the Scheme and CPFL will acquire your CUA Units and you will receive the Scheme Consideration.	Section 5.1
What happens if the Resolutions are not approved?	If either of the Resolutions is not approved by the requisite majority of CUA Unitholders at the Meeting or all other conditions precedent are not satisfied or waived (if applicable): • the Proposal will not take place; • CUA will remain listed on ASX and continue to operate as it currently does; • the potential benefits of the Proposal will not be realised and the potential disadvantages and risks associated with the Proposal will not arise; • you will retain your CUA Units; and • Scheme Unitholders will not receive the Scheme Consideration.	Section 3.2
What happens if the CMA Unitholder Resolution is not passed?	If the CMA Unitholders Resolution is not approved by the requisite majority of CMA Unitholders at the CMA Unitholder Meeting, then the conditions to the Scheme will not be satisfied and the Meeting will be commenced but the Resolutions will not be put to a vote and: • the Proposal will not take place; • CUA will remain listed on ASX and continue to operate as it currently does; • the potential benefits of the Proposal will not be realised and the potential disadvantages and risks associated with the Proposal will not arise; • you will retain your CUA Units; and • Scheme Unitholders will not receive the Scheme Consideration.	

Question	Answer	More Information
The bidder and the Merged Group		
Who is the bidder?	The bidder is CPFL as Responsible Entity of CMA. CPFL is a wholly-owned subsidiary of Centuria Capital Limited. CMA is an ASX-listed REIT that has a market capitalisation of approximately $287 million (based on a unit price of $2.40 per CMA Unit[1]). CMA Units are quoted on the ASX with the ticker code 'CMA'. CMA focuses on investing in office and industrial assets in metropolitan markets across Australia. The CMA portfolio consists of 10 office and two industrial assets, which are geographically diversified across Sydney, Brisbane, Canberra and Adelaide. These assets have been valued at $391.5 million[2] (as at 31 December 2016).	Section 7
If the Proposal is implemented, what will the Merged Group look like?	The Merged Group will be known as CMA and will bring together what CPFL regards as being two high quality and complementary office portfolios. CPFL expects that key attributes of the Merged Group will include: • one of the largest metropolitan office-focused A-REIT portfolios with 15[2] properties valued at $601.9 million; • base management fee of 0.55% p.a., representing an enhanced outcome compared to the existing CUA fees; • strong balance sheet and high quality credit metrics, with pro forma gearing of 30.2% within CMA's existing target range of 25% to 35%; and • market capitalisation of approximately $428 million (based on CMA security price of $2.40[3]), making the Merged Group one of the largest metropolitan office-focused A-REITs, leading to increased relevance for investors.	Section 8
What will be the strategy of the Merged Group?	Upon successful implementation of the Proposal, CPFL intends to operate the CUA assets in line with CMA's existing strategy, with the objective of providing investors with income returns via quarterly distributions and the potential for capital growth through active management activities.	Section 7.1.2

1. As at 11 May 2017, being the last trading day before the date of this Explanatory Memorandum.
2. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.
3. As at 11 May 2017, being the last trading day before the date of this Explanatory Memorandum.

Question	Answer	More Information
How will the gearing of the Merged Group compare to the gearing of CUA?	As at 31 December 2016: • CUA gearing was 18.6% (with a target gearing range of up to 45%); and • CMA gearing was 29.5%[4] (with a target gearing range of 25% to 35%). CPFL intends that the Merged Group's target gearing range will be 25% to 35%, which is in line with the existing CMA and CUA target gearing ranges. CPFL expects that the Merged Group will initially have a pro forma gearing of 30.2%, which is: • within CUA's current target gearing range of 30% to 35%; and • higher than CUA's current gearing.	Section 3.1.2
Who will be on the board of the Merged Group following implementation of the Proposal?	Following implementation of the Proposal, the CPFL Board will be responsible for managing the Merged Group. That board currently has three independent directors and one executive director.	Section 7.10
What will my distribution be for the last quarter of the financial year ending 30 June 2017?	CUA Unitholders, whose CUA Units are to be acquired by CMA, will be entitled to a distribution of not more than 3.75 cents per CUA Unit to be paid in respect of the period 1 April 2017 to the Distribution Entitlement Date (expected to be 28 June 2017). From the issue to them of New CMA Units, CUA Unitholders will participate fully in CMA distributions for any subsequent distribution periods commencing after the Distribution Entitlement Date. The CPFL Board sets the target distribution each year, having regard to its distribution policy, prior distributions and other general business and financial considerations. CMA's current distribution policy is to set payout levels of 90% to 100% of financial year distributable earnings.	Section 7.8
Implementation and other matters		
When will the Proposal be completed and implemented?	If the Resolutions are passed and the conditions precedent are satisfied or waived (if applicable), the Proposal will be implemented on the Implementation Date, which is expected to be Thursday, 29 June 2017.	Section 5.1

4. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

Question	Answer	More Information
When will I be paid any cash consideration under the Proposal and receive my New CMA Units?	CPF2L must, subject to being provided with the funds by CPFL, pay the cash component of the Scheme Consideration to the Scheme Unitholders on the Implementation Date, which is expected to be Thursday, 29 June 2017. CPFL will also issue the New CMA Units on the Implementation Date.	Section 5.2
Can I sell my CUA Units on the ASX?	You can sell your CUA Units on ASX up until suspension of trading in CUA Units.	Section 5.1
Does CMA intend to remove the Responsible Entity of CUA?	If the Proposal is approved, CPFL may replace CPF2L as Responsible Entity and appoint itself or another entity as the Responsible Entity (or trustee) of CUA.	Section 8.2
Does CMA or CNI own CUA Units and will they be entitled to vote?	As at the date of this Explanatory Memorandum, CPFL owns 6,423,084 CUA Units, representing 8.76% of the total number of issued CUA units. In addition, entities associated with Centuria Capital Group own a further 14,648,622 CUA Units, representing 19.99% of the total number of issued CUA Units. The combined holding represents 28.75% of the total number of issued CUA units. CPFL and all other Centuria Capital Group entities will be excluded from voting on the Resolutions at the Meeting. At the CMA Unitholder Meeting to be held on 14 June 2017, the CMA Unitholders will be asked to consider and, if thought fit, pass the CMA Unitholder Resolution. The CMA Unitholder Resolution is a proposed resolution for the purposes of Listing Rule 10.1 and for all other purposes to approve the CNI Acquisition as part of the Scheme. The Proposal is conditional upon the CMA Unitholders approving the CNI Acquisition for the purposes of Listing Rule 10.1. The conditions of the Proposal are considered in Section 12.19.1.	Section 12.1
What happens if a Competing Proposal for CUA emerges?	If a Competing Proposal emerges the Independent Directors of CPF2L will: • inform CUA Unitholders through an announcement on ASX; • consider whether the Competing Proposal is a Superior Proposal; • provide you with information on the Competing Proposal; and • inform you of whether they change their recommendation of the existing Proposal.	N/A

Question	Answer	More Information
Reimbursement of costs	CPF2L must pay to CPFL an amount equal to CPFL's costs of the Scheme (up to $500,000) if: • any of the Independent Directors of CPF2L do not recommend the Scheme or cease to recommend it or take material steps to implement a Competing Proposal (unless the Independent Expert concludes that the Scheme is not in the best interests of CUA Unitholders, other than as a result of a Competing Proposal having been announced); • a Competing Proposal substantially completes by 30 September 2017; • CPF2L breaches a material provision of the Scheme Implementation Agreement; or • a Prescribed Occurrence occurs in respect of CPF2L. CPFL must pay to CPF2L an amount equal to CPF2L's costs of the Scheme (up to $500,000) if: • CPFL breaches a material provision of the Scheme Implementation Agreement; • a Prescribed Occurrence occurs in respect of CPFL; • the CMA Unitholders do not approve the CNI Acquisition; or • CPFL decides not to proceed with the Scheme other than because CUA Unitholders do not approve the Resolutions, ASIC or ASX do not grant the relief necessary for the Proposal to proceed or the Independent Directors of CPF2L do not recommend the Scheme or cease to recommend it.	Section 12.19.7
What are the transaction costs associated with the Proposal?	CPFL and CPF2L will each incur transaction costs in connection with the Proposal, which will be (or have been already) paid out of the respective assets of CMA and CUA. The transaction costs are estimated to be: • for CPFL $4.3 million (inclusive of estimated stamp duty of $1.2 million as part of the Proposal); • for CPF2L $0.9 million; and • both CMA's and CUA's existing swaps will be terminated for one-off payments of, respectively, $1.6 million and $0.6 million.	
Do I have to pay brokerage fees to participate in the Proposal?	No brokerage will be payable by Scheme Unitholders on the transfer of their CUA Units under the Proposal or the receipt by them of the Scheme Consideration. If a CUA Unitholder disposes of their CUA Units before the Record Date, brokerage may be payable.	

Question	Answer	More Information
What are the tax implications of the Proposal for CUA Unitholders?	The Proposal should give rise to a CGT event for the CUA Unitholders. CUA Unitholders who hold their CUA Units on capital account should realise either a capital gain or capital loss. Any capital gain made by Australian resident CUA Unitholders may be eligible for partial scrip for scrip rollover relief. A discussion of the Australian tax implications of the Proposal for CUA Unitholders is set out in the Taxation Report in Section 11. As the Taxation Report is general in nature, CUA Unitholders are encouraged to seek specific tax advice on what the tax implications of the Proposal are for them given their own circumstances.	Section 11
Further questions	If after reading this Explanatory Memorandum you have any questions about the Proposal, you should call the CUA Unitholder Information Line on 1300 651 367 (callers in Australia) or +61 3 9415 4282 (callers outside Australia) between 8:30am and 5:30pm (Sydney time) Monday to Friday. The Independent Directors of CPF2L also recommend that you seek independent financial, legal or tax advice.	N/A

2. Why you should vote FOR the Proposal

2.1 Introduction

The Independent Directors of CPF2L believe that the Proposal offers a number of potential benefits to CUA Unitholders. These potential benefits are set out below and are considered by the Independent Directors of CPF2L as reasons why they recommend that CUA Unitholders should vote in favour of the Proposal.

The Independent Directors of CPF2L acknowledge that the benefits for each CUA Unitholder may vary depending on whether the CUA Unitholder is an Ineligible Foreign Unitholder.

2.1.1 The Independent Directors of CPF2L unanimously recommend that CUA Unitholders vote in favour of the Proposal, in the absence of a Superior Proposal

In assessing the Proposal, the Independent Directors of CPF2L considered the potential benefits and potential disadvantages of the Proposal for CUA Unitholders. They believe that the potential benefits of the Proposal outweigh the potential disadvantages.

For this reason, the Independent Directors of CPF2L support the Proposal, believe it is in the best interests of CUA Unitholders and unanimously recommend that CUA Unitholders vote in favour of the Resolutions, in the absence of a Superior Proposal.

2.1.2 The Independent Expert has concluded that the Proposal is fair and reasonable, and in the best interests of, non-associated CUA Unitholders in the absence of a Superior Proposal

The Independent Directors of CPF2L appointed Lonergan Edwards & Associates as the Independent Expert to prepare the Independent Expert's Report to provide an opinion as to whether the Proposal is fair and reasonable and in the best interests of CUA Unitholders.

The Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, non-associated CUA Unitholders in the absence of a superior proposal.

CUA Unitholders should carefully review the Independent Expert's Report in Section 10 in its entirety.

2.1.3 Significant distributable earnings accretion

If the Proposal is implemented, CPFL expects that significant distributable earnings accretion will be generated for CUA Unitholders who become unitholders of the Merged Group, on a per CUA Unit basis.

A forecast of the financial impact of the Proposal for CUA's distributable earnings (assuming that the Proposal had been implemented on the Implementation Date) is outlined in the table below:

FY18 pro forma distributable earnings impact

	CUA stand-alone	Post-implementation (CUA equivalent)	Impact
FY18 pro forma distributable earnings per unit	15.0 cents	18.2 cents	+20.8%

2.1.4 Material increase in scale and diversification

If the Proposal is implemented, the value of the Merged Group's investment property portfolio will increase to $601.9 million.

Property portfolio overview

	CUA	CMA[1]	Merged Group
Number of properties	3	12	15
Book value ($ million)	210.4	391.5	601.9
Weighted average lease expiry (by income)	4.6	4.1	4.2
Occupancy (by income)	99.2%	98.7%	98.8%
Capitalisation rate	6.86%	7.57%	7.32%

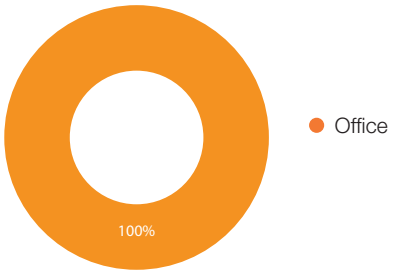
The Merged Group will primarily focus on A-Grade Australian metropolitan located properties.

The Merged Group's exposure to any particular asset or tenant within the combined office portfolio when compared to CUA on a standalone basis will be reduced. This will result in a reduction in the risk to earnings from any single tenancy. As demonstrated in the tables below, the exposure of CUA Unitholders who receive New CMA Units:

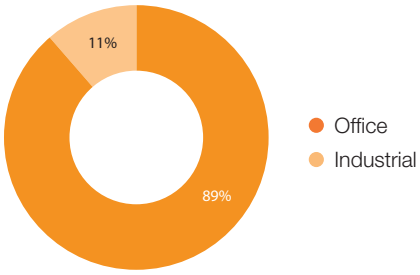
- to the largest property, reduces from 36.8% of the portfolio in CUA to 12.9% of the portfolio in the Merged Group; and
- to the top five tenants in the portfolio, reduces from 61.5% of income of CUA to 27.0% of income of the Merged Group.

Portfolio composition (by book value)

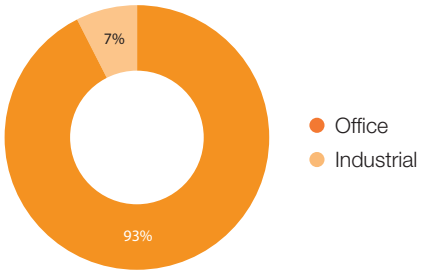
CUA standalone



CMA standalone[1]

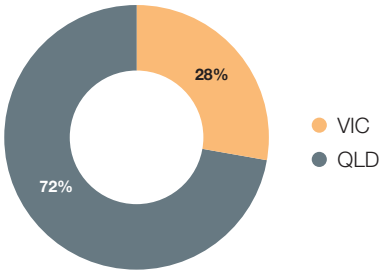


Merged Group

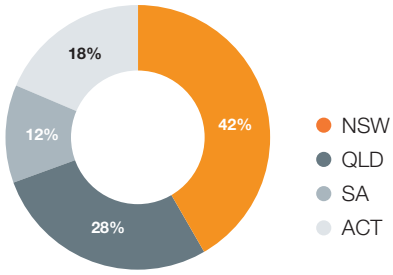


Geographic exposure (by book value)

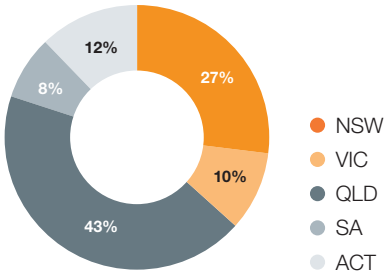
CUA standalone



CMA standalone[1]

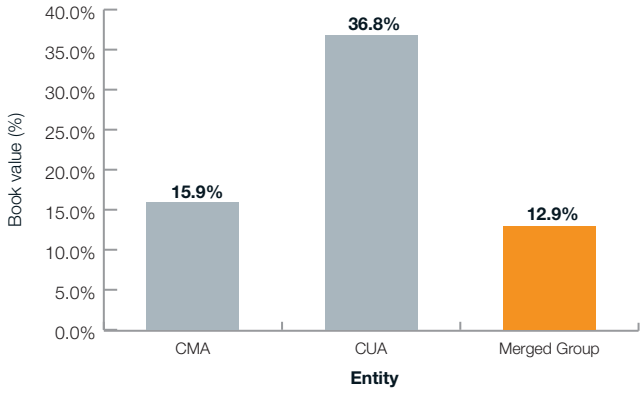


Merged Group

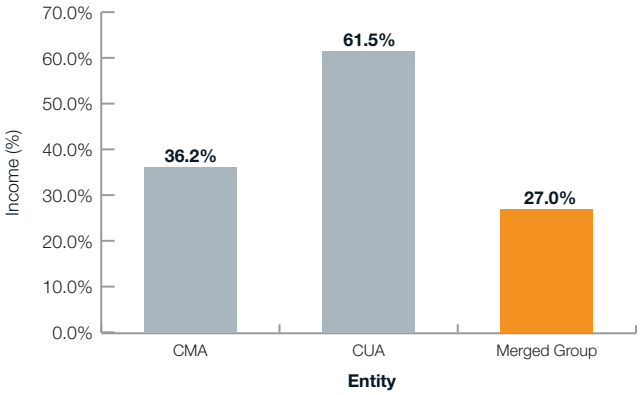


1. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

Exposure to largest property



Exposure to top five tenants



The increased size of the combined property portfolio and tenant diversity is also expected by CPFL to provide the Merged Group with an increased ability to manage tenant demands, vacancies and leasing activities. With a larger portfolio CPFL believes that the Merged Group will be better placed to manage tenant needs and provide alternate solutions when compared to CUA on a standalone basis.

2.1.5 The continuation of the metropolitan office investment mandate

If the Proposal is implemented, CPFL intends to continue the metropolitan office investment mandate that CUA adopted when it floated in 2014.

2.1.6 Reduction in ongoing base management fee

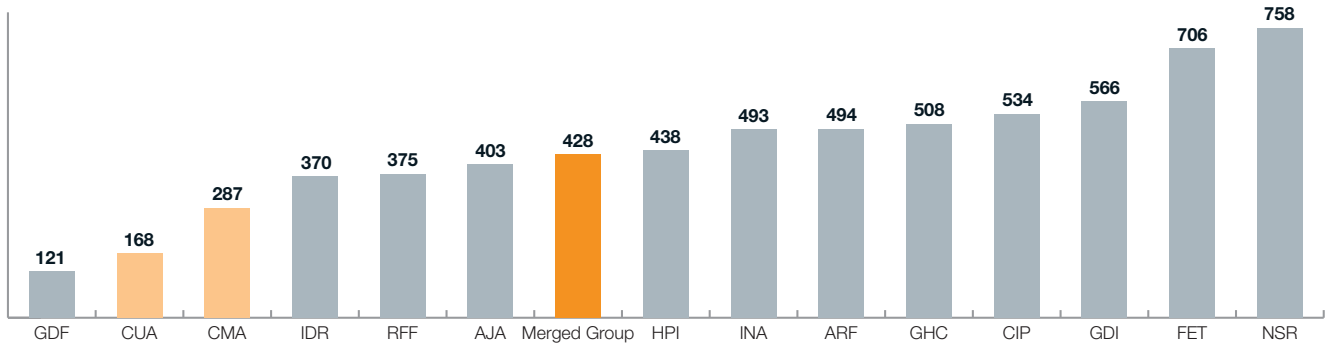
If the Proposal is implemented and CUA Unitholders receive New CMA Units, CPFL expects that those CUA Unitholders will also benefit from the reduction in the forecast base management fees from 0.60% to 0.55% of gross asset value.

2.1.7 Improved trading and increased market capitalisation with potential for S&P/ASX 300 Index inclusion

The Merged Group is expected by CPFL:

- to have greater relevance for investors through significant increased scale relative to CUA on a standalone basis;
- based on a market capitalisation of $428 million, to be one of the largest metropolitan office-focused A-REITs on the ASX; and
- to have the potential to be eligible for S&P/ASX 300 Index inclusion and to increase its market weighting, improving liquidity for CUA Unitholders looking to buy or sell units in the Merged Group.

Market Capitalisation[2] of S&P/ASX 300 A-REIT constituents < A$1.5bn (A$ million)



2. As at 11 May 2017, being the last trading day before the date of this Explanatory Memorandum.

2.1.8 No Superior Proposal has been forthcoming

The possibility of a potential merger of CUA and CMA was first announced by CNI to ASX on 23 November 2016. Subsequently CPF2L and CPFL announced on 3 March 2017 that they had entered into the Scheme Implementation Agreement.

No alternative proposal has been received by the Independent Directors of CPF2L.

The Independent Directors of CPF2L consider that the Proposal potentially offers a more favourable outcome to CUA Unitholders than CUA's options on a standalone basis. For further information on other possible strategies for CUA, please refer to Section 6.10.

3. Why you may consider voting AGAINST the Proposal

3.1 Introduction

The Independent Directors of CPF2L have unanimously recommended that CUA Unitholders vote in favour of the Proposal in the absence of a Superior Proposal, and the Independent Expert has concluded that the Proposal is fair and reasonable to, and in the best interests of, non-associated CUA Unitholders in the absence of a superior proposal.

Nevertheless there may be potential disadvantages associated with the Proposal which are outlined below in this Section 3.

CUA Unitholders may consider voting against the Proposal due to those potential disadvantages.

3.1.1 Reduction in CUA's equivalent net tangible asset value per CUA Unit

The implementation of the Proposal is expected by CPFL to result in CUA's equivalent net tangible asset value per CUA Unit reducing from $2.27 to $2.25 (notwithstanding the implementation of the Proposal and considered on a standalone basis). This reduction is largely due to the transaction costs of $7.4 million associated with implementing the Proposal.

See Section 12.17 for details of fees paid to experts and advisers.

3.1.2 The Merged Group is expected to have higher gearing than CUA

CUA has a target gearing range of up to 45%. CMA has a target gearing range of 25% to 35%. CPFL intends to initially set the gearing target of the Merged Group at 25% to 35% to align with CMA's gearing target.

The Merged Group is expected by CPFL to have an initial pro forma gearing of 30.2%, which is 11.6% higher than CUA's gearing of 18.6% as at 31 December 2016. A gearing level of 30.2% would still be within CUA's target gearing range.

Gearing may magnify losses that an investor suffers if the value of an investment falls and may expose an investor to the risk that interest costs may be greater than investment returns.

3.1.3 Potential variability in the implied offer price arising from movements in the CMA Unit price

If the Proposal is implemented, approximately 58.9 million New CMA Units will be issued as consideration to CUA Unitholders (excluding CPFL or its custodian). The implied value of the Scrip Consideration has the potential to be influenced by movements in the trading price of the CMA Units on ASX. The future value of CMA Units may fall which would cause the value of the consideration under the Proposal to correspondingly fall.

3.1.4 You may disagree with the Independent Directors' recommendation or the conclusion of the Independent Expert

Notwithstanding the unanimous recommendation of the Independent Directors and the Independent Expert's opinion that the Proposal is in the best interests of non-associated CUA Unitholders, you may believe that the Proposal is not in your best interests.

3.1.5 You may not wish to have exposure to CMA's industrial assets

If the Proposal is implemented, CUA Unitholders will have exposure to CMA's two industrial property assets. An investment in industrial property assets may not be consistent with your investment preferences.

3.2 What happens if the Proposal does not proceed?

3.2.1 Strategy and intentions for CUA if the Proposal does not proceed

If the Proposal is not implemented:

- CUA will continue to be listed on ASX and is expected to continue to be managed in line with its strategy, as outlined in Section 6; and
- Scheme Unitholders will continue to hold their CUA Units and they will not receive the Scheme Consideration.

3.2.2 Fees and costs

If the Proposal is not implemented, the CUA management fee payable to CPF2L will not be reduced in the manner described in Section 2.1.6.

CPF2L estimates that it will incur approximately $0.9 million in costs in relation to the Proposal regardless of whether the Proposal is successful or not.

Further details on the fees and costs of the Proposal can be found in Section 12.17.

4. What are the Meeting details and how do I vote?

4.1 Notice of Meeting

A copy of the Notice of Meeting is set out in Annexure 1.

4.2 Meeting details

The Meeting will be held at 10:00 am on Wednesday, 14 June 2017 at Level 39, 100 Miller Street, North Sydney, New South Wales.

4.3 What is the business of the Meeting?

The Meeting of CUA Unitholders will consider and, if thought fit, approve the Resolutions, which must be passed for the Proposal to proceed. Full details of the Resolutions are set out in the Notice of Meeting in Annexure 1.

4.4 Entitlement to vote

All CUA Unitholders appearing on the CUA Register at 7:00pm on 13 June 2017 are entitled to attend and vote at the Meeting (subject to the voting exclusions set out in Section 12.1). Transfers of CUA Units registered after this time will be disregarded in determining entitlements to vote at the Meeting.

4.5 Voting exclusions

Section 12.1 and the Notice of Meeting set out which CUA Unitholders are excluded from voting on the Resolutions.

4.6 Voting by poll

The vote on each Resolution will be conducted by way of a poll. Each CUA Unitholder present in person, by attorney or by proxy has, on a poll, one vote for each dollar of the value of the total interest they have in CUA.

4.7 Quorum

The quorum for the Meeting is two CUA Unitholders present in person or by proxy.

4.8 Jointly-held CUA Units

If the CUA Units are jointly held, only one of the joint CUA Unitholders is entitled to vote. If more than one CUA Unitholder votes in respect of jointly-held CUA Units, only the votes of the CUA Unitholder whose name appears first in the CUA Register will be counted.

4.9 Voting majorities required

In order for the Proposal to proceed, both Resolutions must be approved as follows:

- the ordinary resolution approving the acquisition of CUA Units must be passed by more than 50% of the votes cast on the resolution (whether in person, by proxy or by corporate representative) by CUA Unitholders who are entitled to vote; and
- the special resolution approving the amendments to the CUA Constitution must be passed by 75% or more of the votes cast on the resolution (whether in person, by proxy or by corporate representative) by CUA Unitholders who are entitled to vote.

4.10 Is voting compulsory?

No, although your vote is important and the Independent Directors of CPF2L encourage you to exercise your right to vote. In order for the Proposal to proceed, the Resolutions must be approved by the requisite majorities of the eligible voting CUA Unitholders.

4.11 Who will be the Chairman of the Meeting and what are the Chairman's voting intentions?

The Chairman of the Meeting will be Mr John Slater, the Chairman of CPF2L. As of the date of this Explanatory Memorandum, Mr Slater does not have an interest in CUA Units. If you appoint the Chairman of the Meeting as your proxy and you do not direct the Chairman on how to vote, the Chairman currently intends to exercise your proxy to vote in favour of each Resolution.

4.12 Voting

The Proposal can only take place if Resolutions 1 and 2 are passed by the requisite majorities of CUA Unitholders.

CUA Unitholders may vote by attending the Meeting in person, by attorney or by proxy and, in the case of a corporation, by corporate representative, by attorney or by proxy.

4.12.1 Voting in person

To vote in person at the Meeting, you must attend the Meeting to be held on Wednesday, 14 June 2017 at Level 39, 100 Miller Street, North Sydney, New South Wales commencing at 10:00 am.

CUA Unitholders who wish to attend and vote at the Meeting in person will be admitted to the meeting and given a voting card upon registration prior to the Meeting commencing.

4.12.2 Voting by corporate representative

A CUA Unitholder who is body corporate may appoint an authorised corporate representative to represent it at the Meeting. The authorised corporate representative will be admitted to the Meeting and given a voting card upon providing, when registering prior to the Meeting, written evidence of their appointment, their name and address and the identity of their appointer.

4.12.3 Voting by attorney

Powers of attorney must be received by the CUA Registry, or at the registered office of CPF2L, at Level 39, 100 Miller Street, North Sydney, New South Wales, 2060, by no later than 10:00 am on Monday, 12 June 2017.

An attorney will be admitted to the Meeting and given a voting card upon confirming their name and address and the identity of their appointer.

The appointment of an attorney under a power of attorney will not preclude a CUA Unitholder from attending in person and voting at the Meeting at which the CUA Unitholder is entitled to attend and vote; however the attorney will not be permitted to participate in the Meeting or vote on the Resolutions while the CUA Unitholder is present.

4.12.4 Voting by proxy

If you are a CUA Unitholder, you have a right to appoint a proxy in respect of the Meeting. Your proxy does not need to be a CUA Unitholder, and you may appoint the Chairman of the Meeting as your proxy. The Proxy Form, which accompanies this Explanatory Memorandum, includes instructions on how to vote and appoint a proxy.

To be valid, the CUA Registry must receive your Proxy Form (and an original or certified copy of the power of attorney under which the Proxy Form is signed if applicable) by no later than 10:00 am on Monday, 12 June 2017.

Proxy Forms should be lodged with the CUA Registry using the reply paid envelope provided or in any of the following ways:

- **by mailing to:** Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001. You should post your Proxy Form with sufficient time so as to be received before the deadline for lodgement;
- **by faxing to:** +61 2 9290 9655;
- **by hand delivery to:** Boardroom Pty Limited, Level 12, 225 George Street, Sydney; or
- **by hand delivery to CPF2L's registered office:** Level 39, 100 Miller Street, North Sydney.

A proxy will be admitted to the Meeting and given a voting card upon confirming their name and address and the identity of their appointer.

The appointment of a proxy will not preclude a CUA Unitholder from attending in person and voting at the Meeting. At all times while the CUA Unitholder is present at the Meeting, the proxy will not be permitted to speak at the Meeting or vote on the Resolutions.

If you are entitled to cast two or more votes you may appoint two proxies. If you appoint two proxies, then you may specify the proportion or number of votes each proxy is entitled to exercise. However, if you do not specify the proportion or number of votes for each proxy, then each proxy may exercise half of your votes.

If you do not name a proxy, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy and vote on your behalf.

4.13 Queries

If you have any questions in relation to the Meeting, please contact the CUA Unitholder Information line on 1300 651 367 (callers in Australia) or +61 3 9415 4282 (callers outside Australia) between 8:30am and 5:30pm (Sydney time) Monday to Friday.

5. Implementing the Proposal

5.1 Steps to implement the Proposal

The key steps to implement the Proposal are set out below:

(a) If the Resolutions are passed by the requisite majorities then subject to the other conditions of the Proposal being satisfied, CPF2L will lodge a copy of the Supplemental Deed with ASIC.

(b) No dealings in CUA Units will be permitted after the suspension of trading in CUA Units. Scheme Unitholders will be entitled to trade their entitlement to New CMA Units on the ASX, initially on a deferred settlement basis, from 16 June 2017.

(c) If the Scheme becomes Effective, then on the Implementation Date:

(i) all of the CUA Units (other than CUA Units registered in the name of CPFL or its custodian on the Record Date) will be transferred to CMA, without the need for any further act by a Scheme Unitholder, by:

(A) CPF2L by virtue of its appointment as attorney for each Scheme Unitholder, procuring the delivery to CPFL of a duly completed and executed transfer form on behalf of each Scheme Unitholder to transfer all of their CUA Units to CMA; and

(B) CPF2L entering the name of CPFL in the CUA Register as the holder of all of the CUA Units.

(ii) Scheme Unitholders (other than Ineligible Foreign Unitholders) will be entitled to total Scheme Consideration comprising:

(A) 0.88 New CMA Units for every 1 CUA Unit held; plus

(B) $0.23 cash for every 1 CUA Unit held.

If a Scheme Unitholder would be entitled to a fraction of a CMA Unit or a fraction of a cent, their entitlement will be rounded down to the nearest whole number of CMA Units or cents (as applicable).

(iii) Ineligible Foreign Unitholders will not receive any New CMA Units under the Scheme, but will receive the proceeds from the sale by the Nominee of the New CMA Units (net of any brokerage) to which the Ineligible Foreign Unitholder would otherwise have been entitled and the Cash Consideration. Please refer to Section 5.3 for further details.

(iv) CPF2L will apply for termination of official quotation of CUA Units on ASX, and removal of CUA from the official list of ASX, after the Scheme has been implemented and CPFL has become the registered holder of all CUA Units.

(d) The Scheme will not become Effective if the Scheme Implementation Agreement is terminated or other conditions referred to in Section 12.19 are not satisfied or waived.

(e) Each Scheme Unitholder, without the need for any further act, irrevocably appoints CPF2L as its attorney and agent to do all acts, matters and things that CPF2L considers necessary or desirable to give effect to the Scheme including completing and signing a transfer of CUA Units and an application for New CMA Units.

(f) From the Effective Date until CPFL is registered as the holder of all CUA Units, each Scheme Unitholder irrevocably appoints CPF2L as its attorney and agent to appoint the Chairman of CPFL (or other nominee of CPFL) as its proxy and, where applicable, corporate representative, for the purpose of attending meetings, exercising the votes attaching to CUA Units, and signing any CUA Unitholder's resolution.

5.2 Payment of the Cash Consideration to Scheme Unitholders

For Scheme Unitholders, the Cash Consideration will be paid into the bank account that you have nominated to the CUA Registry. If you have not previously notified the CUA Registry of your nominated bank account or would like to change your existing nominated bank account, you should contact the CUA Registry on 1800 182 257 within Australia and 02 9290 9689 from overseas before the Record Date, expected to be 19 June 2017.

If you do not have a nominated bank account with the CUA Registry as at the Effective Date, you will be sent a cheque to the address which the CUA Registry has on record as at the Record Date. If CPF2L believes that you are not known at your registered address, you have not nominated a bank account or a deposit into a nominated account is rejected or refunded, all amounts payable to you upon implementation will be paid into a separate bank account and held by the Responsible Entity of CUA until claimed or applied under laws dealing with unclaimed money. An amount credited into such an account is to be treated as having been paid to you when credited to the account.

Payment of the Cash Consideration to Scheme Unitholders will be made on the Implementation Date.

5.3 Treatment of Ineligible Foreign Unitholders – Sale Facility

An Ineligible Foreign Unitholder is a CUA Unitholder whose address as shown in the CUA Register (on the Record Date) is a place outside Australia (or its external territories) or New Zealand (unless CPFL determines that it is lawful and not unduly onerous or impracticable to issue them with New CMA Units when the Proposal is implemented).

If you are an Ineligible Foreign Unitholder you will not be able to receive Scrip Consideration.

Restrictions in certain foreign countries make it impractical or unlawful for CPFL to offer, or for Scheme Unitholders to receive, New CMA Units in those countries. Accordingly, CPFL will not issue New CMA Units to Ineligible Foreign Unitholders.

If you are a Scheme Unitholder, and an Ineligible Foreign Unitholder, you must participate in the Sale Facility, which operates as follows:

(a) CPFL will issue the aggregate number of New CMA Units to which Ineligible Foreign Unitholders would otherwise have been entitled to the Nominee to be disposed of on behalf of the Ineligible Foreign Unitholders, and the proceeds of the sale (net of brokerage) will be paid to the Ineligible Foreign Unitholders. The net sale proceeds will depend upon the market price of the New CMA Units.

(b) The Nominee will be the legal owner of the New CMA Units and will sell the New CMA Units within 15 Business Days after the Implementation Date (the **Sale Period**).

(c) All New CMA Units to be sold by the Nominee will be sold through the ASX.

(d) The Nominee will seek to achieve the best price for the New CMA Units that is reasonably obtainable bearing in mind a number of factors, including the prevailing market conditions (such as the total number of New CMA Units being sold and the prevailing market price at which trades are occurring).

(e) The prices at which New CMA Units are sold may be adversely affected by the requirement that the sales be conducted within the Sale Period.

(f) An Ineligible Foreign Unitholder will be entitled to receive a cash amount for each New CMA Unit sold by the Nominee for the Ineligible Foreign Unitholder equal to the amount calculated by dividing the proceeds of sale of all New CMA Units (net of brokerage) sold by the total number of New CMA Units that are sold by the Nominee. The net proceeds will be calculated by deducting from the gross sale proceeds any applicable brokerage.

(g) Net cash proceeds from the sale of the New CMA Units, will be dispatched to Ineligible Foreign Unitholders within 10 Business Days after the Sale Period to:

  (i) the bank account nominated by the relevant Ineligible Foreign Unitholder to the CUA Registry; or

  (ii) by cheque to the address that appears on the CUA register for the relevant Ineligible Foreign Unitholder as at the Record Date.

If an Ineligible Foreign Unitholder does not want to participate in the Sale Facility they should sell their CUA Units before the Record Date.

Ineligible Foreign Unitholders who are required to participate in the Sale Facility should note that the price for New CMA Units sold under the Sale Facility is not fixed and the market price of New CMA Units is subject to fluctuations in the market. The cash amount Ineligible Foreign Unitholders will ultimately receive under the Sale Facility may be lower than the value of the Scrip Consideration.

Any payments in foreign currency will involve conversion of any amounts payable from Australian dollars into the foreign currency. The exchange rate for conversion will be established on or about the date of payment to the Ineligible Foreign Unitholder.

This payment in foreign currency to a foreign bank account may involve a currency exchange risk and the Ineligible Foreign Unitholder will carry full exchange rate risk relating to any changes in the Australian dollar exchange rate following the conversion of the amount into the foreign currency. When the amount is actually paid in foreign currency, those amounts may be worth less (or more) than the Australian dollar amount at the time the exchange rate for conversion was established.

CPF2L does not provide any guarantee or representation as to the amount of foreign currency dollars that will be received by the relevant Ineligible Foreign Unitholder. The relevant Ineligible Foreign Unitholder will not be charged any transaction fee for the currency conversion. CUA Unitholders who are not Ineligible Foreign Unitholders will receive any payments to which they are entitled in Australian dollars.

6. Information about CUA

6.1 Business overview

Centuria Urban REIT (**CUA**) is an Australian real estate investment trust (or A-REIT), which listed on the ASX on 24 April 2014. As at 2 March 2017 (being the last trading day prior to the Announcement Date), CUA had a market capitalisation of $165.6 million.

CUA's portfolio consists of three A-grade suburban office properties, two of which are located in Brisbane and one in Melbourne. The portfolio has a WALE of 4.6 years and a book value of $210.4 million as at 31 December 2016.

The Responsible Entity of CUA is Centuria Property Funds No. 2 Limited, which is a wholly-owned subsidiary of Centuria Capital Limited. Centuria Capital Limited forms part of a stapled entity along with Centuria Capital Fund, and they are referred to as the Centuria Capital Group (ASX ticker code: CNI). CNI is an ASX-listed specialist investment manager with $3.8 billion in total funds under management through its subsidiaries.

6.2 CUA's portfolio

The key metrics of the CUA property portfolio, along with valuation metrics disclosed as at 31 December 2016, are outlined below:

Key Portfolio metrics	
Number of properties	3
Book values	$210.4 million
Weighted average capitalisation rate (WACR)	6.86%
Net lettable area (NLA)	28,953
Occupancy (by NLA)	99.2%
Weighted average lease expiry (WALE)	4.6 years

Portfolio summary

Property	Owner-ship	Type	Book Value	Cap Rate[1]	NLA (sqm)	WALE (years)[2]	Office Occu-pancy
154 Melbourne Street, South Brisbane, QLD	100%	Office	$77.5m	7.00%	11,300	2.3	100.0%
483 Kingsford Smith Drive, Brisbane, QLD	100%	Office	$74.4m	7.00%	9,322	6.9	97.6%
576 Swan Street, Richmond, VIC	100%	Office	$58.5m	6.50%	8,331	5.2	100.0%
Total/weighted average			**$210.4m**	**6.86%**	**28,953**	**4.6**	**99.2%**

1. The capitalisation rate is the rate of return on a property calculated by dividing the net market income generated by the property by the value of the property.
2. By NLA.

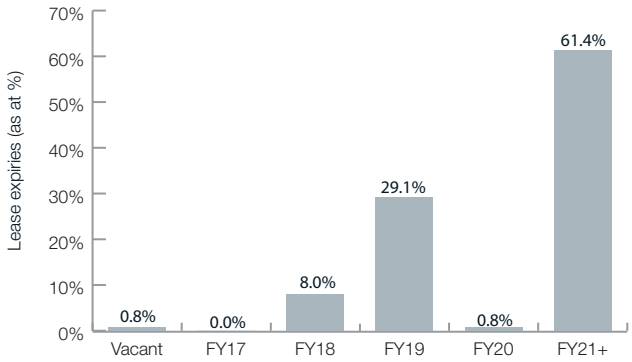
Approximately 61.5% of CUA's gross rent comes from its top five tenants (based on gross rent for the half year ended 31 December 2016), which include blue chip corporations, multinationals and ASX-listed groups. Structured increases in rental income rates provide for revenue growth, with 78% of CUA's income subject to fixed rent reviews at an average increase of 3.8%.

Top five tenants (by income)[3]

Rank	Tenant	Industry	% gross rent
1	Queensland Government | QCAA Queensland Curriculum & Assessment Authority	Government	14.9%
2	GE Capital	Financial Services	14.9%
3	Queensland Government Department of Public Works	Government	11.9%
4	Domino's	Fast Food	10.1%
5	FOREVER NEW	Consumer Retail	9.6%

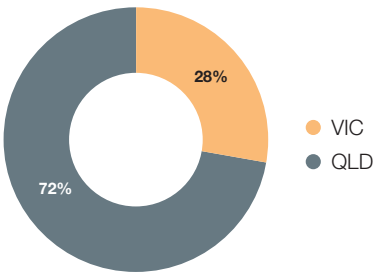
Lease Expiry Profile (by net lettable area)

CUA currently has no lease expiries prior to 30 June 2017. The current lease expiry profile is as follows:



CUA portfolio by property type[4]

The CUA suburban office properties are located within suburban markets in Queensland and Victoria.



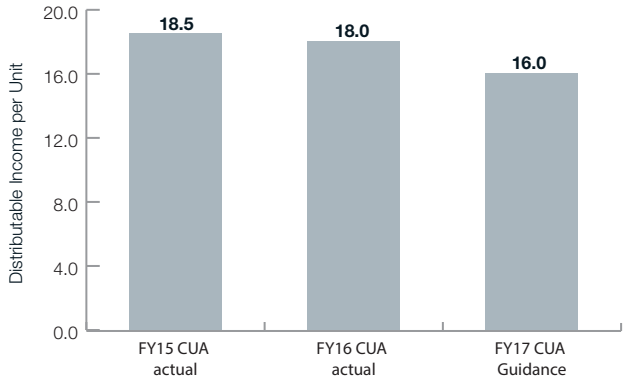
3. Based on gross rent for the half year ended 31 December 2016.
4. As at 31 December 2016.

6.3 CUA Financial Profile

CUA's last reviewed half-year financial report is for the period 1 July 2016 to 31 December 2016 and was lodged with ASX on 9 February 2017.

CUA's distribution policy is to pay out between 90% and 100% of Distributable Earnings each year. For the half year ended 31 December 2016, CUA distributed 107.5% of its Distributable Earnings.

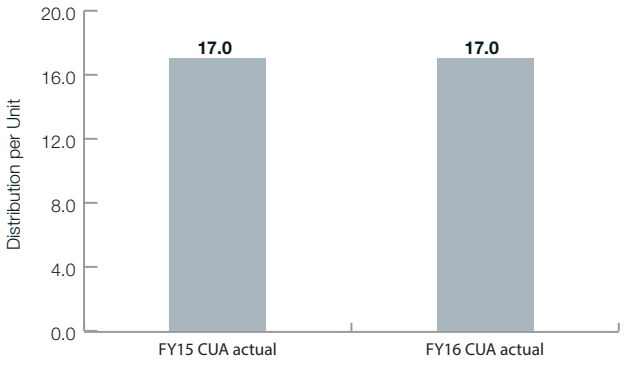
Distributable Earnings per CUA Unit (cents)



Note: Past performance is not an indicator of future performance.

FY17 CUA Guidance is based on an assumption that CUA makes no acquisitions during FY17.[5]

Distribution per CUA Unit (cents)



Note: Past performance is not an indicator of future performance.

For more detailed financial information in relation to CUA, please see Section 8.

6.4 Summary of key financials

Metric	Financial year ending 30 June 2015	Financial year ending 30 June 2016	Half financial year ending 31 December 2016
Net profit (statutory) ($ millions)	12.4	20.4	7.8
Distributable earnings ($ millions)	14.0	13.2	5.8
Distributable earnings per CUA Unit (cents)	18.5	18.0	7.9
Distributions per CUA Unit (cents)	17.0	17.0	8.5
NTA per CUA Unit ($)	2.14	2.25	2.27
Gearing[6]	28.7%	17.8%	18.6%

Note: Past performance is not an indicator of future performance.

5. Operating earnings of 16 cents per CUA Unit used as shown in CUA's 1H17 Results Presentation released to ASX on 9 February 2017.
6. Gearing is defined as total borrowings less cash divided by total assets less cash.

6.5 Material changes in CUA's financial position since last accounts published

Other than as disclosed in this Explanatory Memorandum, within the knowledge of the CPF2L Board, the financial position of CUA has not materially changed since 31 December 2016 being the date of the statement of financial position for CUA for the six months ending 31 December 2016.

6.6 Capital Management[7]

	As at 31 December 2016
Total facility limit	$80.0 million
Total borrowings	$41.5 million
Gearing	18.6%
Weighted average debt expiry	0.3 years
Interest Coverage Ratio (covenant 2.0x)	6.8x
Weighted average term of interest rate hedging	3.1 years

The term of CUA's debt facility has recently been extended to 30 September 2017. The facility extension included the repayment of the current loan from the National Australia Bank, with the full facility continuing with BankWest, and a reduction of the facility limit to $47.0 million. There are no other material changes in comparison to the existing debt facility terms.

6.7 CUA capital structure

As at the date of this Explanatory Memorandum, CUA had the following securities on issue:

Class of security	Total number of CUA Units on issue
CUA Units	73,279,751

7. Per CUA's 1H17 results presentation released to ASX on 9 February 2017.

6.8 Substantial unitholders

As at the day immediately before the date of this Explanatory Memorandum, CUA had the following substantial holders:

Unitholder	Number of CUA Units held	Percentage of total CUA Units issued
Centuria Investment Holdings Pty Limited as trustee of Centuria Capital No. 2 Office Fund	14,648,622	19.9%
Centuria Property Funds Limited as Responsible Entity of CMA	6,423,084	8.8%
Ellerston Capital Limited	6,169,698	8.4%
First Samuel Limited	5,866,588	8.0%
Salt Funds Management Limited	4,618,779	6.3%

6.9 Recent performance

6.9.1 CUA Unit price performance

CUA listed on the ASX in April 2014 at a unit price of $2.00, representing a 7.0% discount to its 30 June 2014 NTA of $2.14 per CUA Unit. Since then, CUA has delivered a unit price return of 12.4% per annum. As at 2 March 2017 (the day before the announcement of the Proposal), CUA Units traded at a 0.4% discount to the 31 December 2016 NTA of $2.27 per CUA Unit.

Note: Past performance is not an indicator of future performance.

The closing price of CUA Units on ASX on 11 May 2017, being the last trading day before the date of this Explanatory Memorandum, was $2.29. The five-day VWAP was $2.25.

6.9.2 Significant ASX announcements

Below is a list of significant ASX announcements made by CUA (which previously had the ASX ticker code "TOF") since listing on ASX. They may be viewed at www.asx.com.au.

Date	Event
April 2017	• IBC to recommend CMA/CUA merger proposal
March 2017	• Proposed merger CUA and CMA
February 2017	• CUA 1H17 Results Presentation and Announcement • CUA 1H17 Appendix 4D and Half Year Report
January 2017	• Confirmation of name change • Transfer of management of CUA • CMA acquisition of 8.76% stake in 360 Capital Office Fund
December 2016	• Approval of sale of Units to Centuria Capital Group • Leasing update: 20% of the portfolio renewed
November 2016	• Proposed sale of 360 Capital Group's TOF investment • CNI: Acquisition of 360 Capital Group's Real Estate Platform • CMA: CMA proposed acquisition of an 8.76% stake in TOF
August 2016	• TOF FY16 Results Presentation and Announcement • TOF FY16 Appendix 4E and Full Year Report
May 2016	• Increase in NTA – Independent revaluation of two properties
March 2016	• Not proceeding with the proposed transaction of 111 St Georges Terrace
February 2016	• Proposed sale of investment in 111 St Georges Terrace • TOF 1H16 Results Presentation and Announcement • TOF 1H16 Appendix 4D and Half Year Report
November 2015	• Settlement of 33 Allara Street, Canberra, ACT
October 2015	• Exchange of unconditional contracts to sell 33 Allara Street, Canberra, ACT
August 2015	• TOF FY15 Results Presentation and Announcement • TOF FY15 Appendix 4E and Full Year Report
July 2015	• Cancellation of units pursuant to buy-back
March 2015	• 360 Capital Office Fund Property Revaluations

Date	Event
February 2015	• TOF 1H15 Results Presentation and Announcement • TOF 1H15 Appendix 4D and Half Year Report • Settlement of acquisition of Botannica 7, 566 Swan Street, Richmond, Melbourne, VIC
January 2015	• FY15 earnings guidance and debt management initiatives
December 2014	• Acquisition of 576 Swan Street, Richmond, Melbourne, VIC
November 2014	• Proposed buy-back of units
October 2014	• Completion of small unitholding sale facility • Settlement of 52-56 Railway Parade, Burwood, NSW
August 2014	• TOF FY14 Results Presentation and Announcement • TOF FY14 Appendix 4E and Full Year Report • Small unitholding sale facility
July 2014	• Proposed sale facility of unmarketable parcels
June 2014	• Exchange on unconditional contract to sell Burwood asset
April 2014	• Settlement of acquisition of 154 Melbourne Street, South Brisbane, QLD • Settlement of acquisition of Hamilton Harbour, Brisbane, QLD asset • Proposed disposal of Burwood asset • Product Disclosure Statement

6.10 Factors affecting CUA's standalone prospects

If the Proposal does not become Effective, CPF2L currently intends to continue to pursue its strategies (as disclosed in Section 3.2.1 and to the market generally). However there are existing factors relating to CUA's business and an investment in CUA, which may continue to affect CUA.

6.10.1 Lack of scale

Compared to other listed A-REITs, CUA is classified as a small-cap A-REIT, with a market capitalisation of approximately $168 million and total assets of approximately $213.3 million. Small-cap A-REITs are typically more vulnerable to fluctuations in income. For example, if one of CUA's properties becomes vacant, the loss of income from that vacant property may have a more material impact on CUA's income and therefore distributions than would be the case for a larger A-REIT, assuming like-for-like tenant profile and asset sizes.

6.10.2 Limited geographic diversification of assets

CUA's assets are primarily located in Queensland. The Queensland property market has, in recent years, been adversely affected by weaker economic conditions. Although this has not affected the value of CUA's Queensland assets, it does highlight from an income and asset preservation perspective the potential risks associated with being geographically concentrated in a particular area.

6.10.3 Low liquidity

Trading in CUA Units is relatively illiquid, with average daily turnover during the last 12 months being 0.09% of CUA Units on issue. Low liquidity results in wider buy/sell spreads, which affects the ability of CUA Unitholders to either sell or acquire additional CUA Units at current market prices. Poor liquidity and wider buy/sell spreads may also act as a deterrent to potential investors, subsequently placing downward pressure on the overall demand for, and therefore price of, CUA Units.

6.11 Other potential strategies for CUA

Other potential strategies available to CUA as an alternative to pursuing its current strategies as referred to in Section 3.2.1 and if the Proposal does not proceed include those set out below. CPF2L does not currently consider these other potential strategies to be preferable to the Proposal or, if the Proposal does not proceed, to continuing to pursue its current strategies.

6.11.1 A capital raising followed by accretive asset or portfolio acquisitions

The Independent Directors of CPF2L believe that any capital raising undertaken by CUA at the present time would need to be priced at a discount to the trading price in order to attract investors. This may have a positive or negative impact on earnings, distributions and NTA to existing CUA Unitholders (particularly for CUA Unitholders who do not participate in the capital raising). This alternative is predicated on CPF2L being able to identify and successfully acquire accretive investments.

Currently there is a limited number of assets available for acquisition and CUA would most likely encounter competition from other listed peers, which may have a lower cost of capital and greater ability to raise equity capital, allowing them to potentially acquire assets at a higher price.

6.11.2 Managed wind-up

CUA could be wound up. Depending on the time taken to complete the wind-up, CUA Unitholders would need to wait to receive any net proceeds, most of which would likely be returned to CUA Unitholders in the later part of the winding-up given the need to repay senior secured debt first.

The sale of CUA's assets under a wind-up would also be dependent on the demand for those assets, either as a portfolio or individually.

If the properties were to be sold, a formal marketing campaign using real estate agents would be required. The typical cost of sales under this approach is estimated to be between 1.5% to 2.5% of sales proceeds, which includes agents' commission, advertising and legal costs, which would reduce the amount available to be distributed to CUA Unitholders.

6.11.3 Portfolio sale of CUA's assets

As in the winding-up scenario, a portfolio sale involves the sale of all CUA's assets in one line to either an individual acquirer or a consortium. This scenario reflects the sale of property assets rather than the transfer of CUA Units as proposed under the Scheme.

Similarly to the orderly wind-up of CUA, returns to CUA Unitholders will be reduced by the selling costs as outlined in the managed wind-up strategy.

7. Information about CMA

In accordance with the responsibility statement included in the Important Notices Section of this Explanatory Memorandum, CPFL has sole responsibility for the information contained in this Section 7, subject to CPF2L taking sole responsibility for the information that it has provided to CPFL for the purposes of preparing information on CMA following implementation of the Proposal, as specified in the definition of CUA Information.

It is important that you consider the risk factors that could affect CMA as detailed in Section 9, as well as the potential benefits of the Proposal.

7.1 Profile of the bidder

The bidder under the Proposal is Centuria Property Funds Limited in its capacity as Responsible Entity of CMA.

7.1.1 Overview of CMA

CMA:

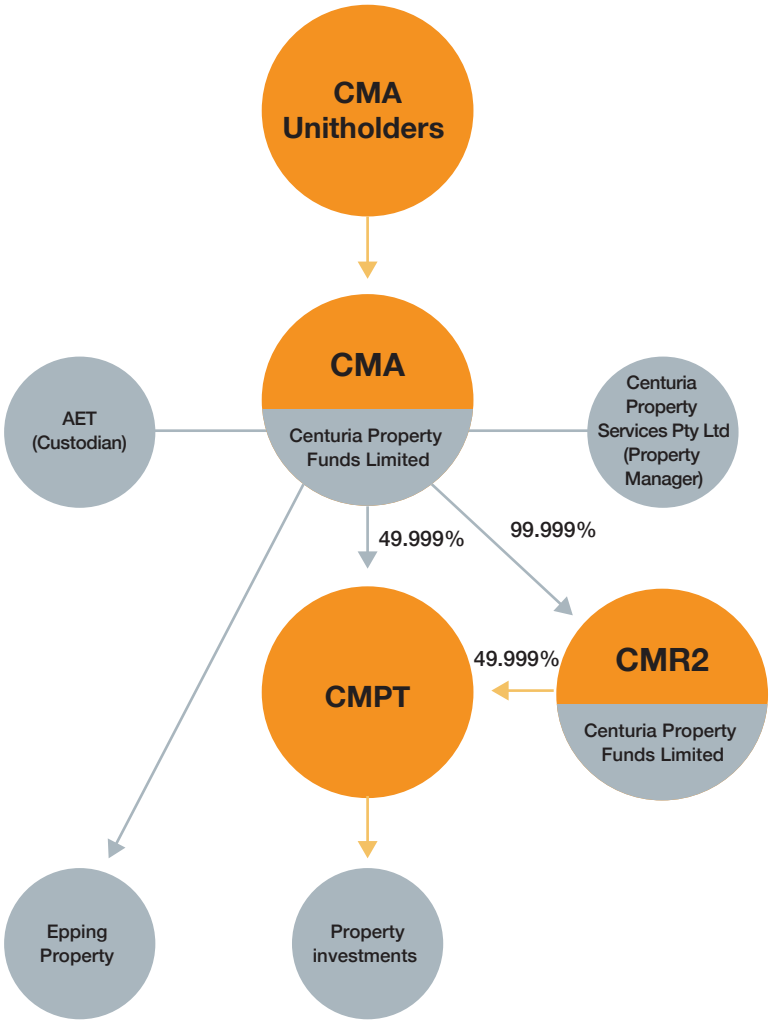
- is an ASX-listed REIT that invests in real estate assets in metropolitan markets across Australia;
- was listed in December 2014 and has a market capitalisation of $287[1] million;
- holds a portfolio of 12 assets valued at $391.5[2] million diversified across Sydney, Brisbane, Canberra and Adelaide; and
- has total assets under management of $415[2] million.

Centuria Property Funds Limited is a wholly-owned subsidiary of the Centuria Capital Group which has over $3.8 billion of funds under management.

1. As at 11 May 2017, being the last trading day before the date of this Explanatory Memorandum.
2. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

Corporate structure

The current structure of CMA is represented generally in the following diagram.



CMA recently undertook a corporate simplification which completed on 22 March 2017. Prior to the simplification, CMA and CMR2 were stapled entities that traded together on the ASX as a stapled security under the CMA ticker code.

The simplification involved the following steps:

- CMA units were unstapled from CMR2 units;
- CPFL as responsible entity for CMA acquired all of the units in CMR2 as consideration for the issue of additional CMA units;
- the units in CMA were consolidated to ensure that the number of CMA units on issue prior to the simplification was the same as the number of stapled securities on issue post Simplification; and
- CMR2 was delisted from ASX.

The simplification was undertaken to achieve the following benefits for CMA and its investors:

- simplify financial reporting requirements;
- create a simplified corporate structure;
- generate ongoing cost savings;
- result in simpler distributions to investors;
- reduce costs associated with any future acquisitions; and
- may facilitate any future acquisitions.

7.1.2 Strategy

CPFL's objective is to provide CMA Unitholders with security of income, and potential capital growth, through a diversified portfolio of metropolitan office properties located across Australia. Specifically, this involves

investing in and actively managing Australian-based office and industrial properties characterised by strong, defensive, income-focused investment fundamentals such as high occupancy, long weighted average lease expiry (WALE) and fixed annual rental increases from blue chip tenants.

Furthermore, CPFL aims to provide investors in CMA with income returns via quarterly distributions and the potential for capital growth through active management activities which include property repositioning, leasing and further investments in both office and industrial properties. CMA will not undertake speculative developments.

CMA's strategy can be broadly broken down into three components: growth through acquisition; proactive portfolio management; and effective asset management.

Acquisition strategy

CMA's acquisition strategy is to selectively acquire additional office and industrial properties in metropolitan markets that meet the following investment criteria:

- generate stable income returns;
- located in growth markets with favourable supply and demand dynamics;
- refurbishment and/or repositioning opportunities with the potential to enhance income and capital growth;
- potential for capital gains;
- potential for positive rental growth;
- provides geographic and economic diversification across the portfolio;
- adheres to the long-term gearing target range of 25% to 35%; and
- overall, has the potential to enhance risk-adjusted returns to investors.

Portfolio management

In managing CMA, CPFL takes a proactive approach including:

- undertaking active management of the assets within the CMA portfolio to enhance returns which may include disposal and acquisition opportunities;
- actively managing CMA's capital structure to ensure equity returns are maximised, having regard to maintaining appropriate liquidity within debt facilities to allow for capital expenditure and acquisition opportunities;
- managing debt maturities and interest rate hedging seeking to minimise interest expense and refinancing risk; and
- leveraging the expertise and relationships of CNI.

Asset management

With respect to managing the properties within the CMA portfolio, CPFL will seek to:

- enhance occupancy by letting up vacancies;
- proactively manage leasing to enhance cash flow and lease terms;
- actively manage existing and prospective tenant space requirements to leverage returns and cash flow security for CMA;
- undertake refurbishment works that optimise a building's potential to attract quality tenants; and
- undertake refurbishments or extensions, where supported by a strong business case that meet CMA's target investment parameters.

By continuing to maintain a disciplined investment strategy and active management, CPFL seeks to provide regular and sustainable income, improve operating earnings, increase distributions per CMA Unit and realise potential capital growth.

7.1.3 CMA property portfolio

At the time of CMA's initial public offering (**IPO**) in December 2014, its portfolio consisted of eight properties with an independent value of $183 million. Since then, CMA has acquired five office properties with a total purchase price of $172 million. The properties that have been acquired since the IPO are:

- 60 Marcus Clarke Street, Canberra ($49 million);
- 35 Robina Town Centre Drive, Robina ($46 million);
- 131-139 Grenfell Street, Adelaide ($20 million);
- 54 Marcus Clarke Street, Canberra ($14 million); and
- 50% stake of 203 Pacific Highway, St Leonards ($43 million).

In this period CMA also disposed of 14 Mars Road, Lane Cove, for $26 million which represented a property internal rate of return (**IRR**) of 23.8%.

As at the date of this Explanatory Memorandum, CMA's portfolio comprises 12 quality Australian office and industrial properties with a total value of $391.5[3] million.

3. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

CMA portfolio overview (as at 31 December 2016)

Key Portfolio metrics	
Number of properties	12
Independent valuation	$391.5 million
Weighted average capitalisation rate (WACR)	7.57%
Net lettable area (NLA)	102,064m^2
Occupancy (by NLA)	98.7%
Weighted average lease expiry (WALE)	4.1 years

Portfolio summary

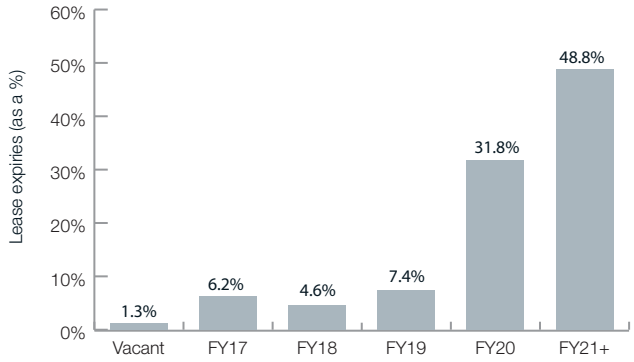
Property	Owner-ship	Type	Book Value	Cap Rate	NLA (m^2)	WALE (years)[4]	Occu-pancy
9 Help Street, Chatswood, NSW	100%	Office	$62.2m	6.75%	9,400	2.6	100.00%
203 Pacific Highway, St Leonards, NSW	50%[5]	Office	$47.5m	7.00%	11,734	4.0	100.00%
3 Carlingford Road, Epping, NSW	100%	Office	$27.0m	6.25%	4,702	2.3	100.00%
44 Hampden Road, Artarmon, NSW	100%	Office	$8.8m	8.25%	2,306	1.8	100.00%
54 Marcus Clarke, Canberra, ACT	100%	Office	$18.0m	9.00%	5,169	2.4	88.00%
60 Marcus Clarke, Canberra, ACT	100%	Office	$54.5m	8.00%	12,120	3.3	94.50%
35 Robina Town, Centre Drive, Robina, QLD	100%	Office	$50.7m	7.25%	9,814	6.8	100.00%
555 Coronation Drive, Brisbane, QLD	100%	Office	$32.3m	8.25%	5,591	3.8	100.00%
1 Richmond Road, Keswick, SA	100%	Office	$27.3m	9.00%	8,100	2.6	100.00%
131-139 Grenfell Street, Adelaide, SA	100%	Office	$19.5m	8.50%	4,052	2.9	100.00%
149 Kerry Road, Archerfield, QLD	100%	Industrial	$25.5m	7.25%	13,774	8.0	100.00%
13 Ferndell Street, Granville, NSW	100%	Industrial	$18.2m	7.75%	15,302	3.3	100.00%
			$391.5m	**7.57%**	**102,064**	**4.1**	**98.70%**

4. By NLA.
5. The remaining 50% direct interest in 203 Pacific Highway was acquired by a Centuria unlisted retail investor office property syndicate.

7.1.4 Leasing

A strong focus on forward leasing has resulted in improvements to the CMA office portfolio's lease expiry profile, with only 4.6% of income expiring in FY18.

CMA portfolio lease expiry profile (by net lettable area)[6]



The current lease expiry profile of CMA demonstrates the management team's ability to manage expiry risk concentration and provide reliable earnings and distributions to investors.

7.2 Historical financial information

7.2.1 Basis of presentation of historical financial information

The historical financial information in this Section 7.2 relates to CMA on a standalone basis and accordingly does not reflect any impact of the Proposal.

The historical financial information has been prepared in accordance with the recognition and measurement requirements of the Australian Accounting Standards. The financial information also complies with the recognition and measurement requirements of International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The historical financial information is a summary only and the full financial accounts for CMA for the financial periods described below, which include the notes to the accounts, can be found in CMA's reports for those periods. The historical financial information does not include all of the presentation disclosures, statements and comparative information as required by the Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The preparation of financial statements requires management to make critical judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results may differ from these estimates.

The historical financial information below does not represent the complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of the accounting policies contained in those financial statements and the notes to those financial statements – these are available from CMA's website at http://centuria.com.au/listedproperty. Past performance is not indicative of future performance.

7.2.2 Financial summary

The financial summary of CMA set out below has been extracted from the reviewed financial statements of CMA for the half year ended 31 December 2016 (being the last financial statements prior to the date of this Explanatory Memorandum) and the audited financial statements for the full year ended 30 June 2016 and 30 June 2015. A full copy of CMA's reviewed financial statements in respect of the half year ended 31 December 2016 was released to ASX on 9 February 2017, and is available at CMA's website at http://centuria.com.au/listedproperty.

6. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

Metric	30 June 2015[7]	30 June 2016	31 December 2016
Net profit (statutory) ($ million)	11.2	44.8	27.1
Distributable earnings ($ million)	8.2	22.0	10.9
Distributable earnings per CMA Unit ($)	10.5	18.4	9.2
Distributions per CMA Unit ($)	9.2	17.0	8.75
NTA per CMA Unit ($)	1.97	2.18	2.32
Gearing[8] (%)	24.0%	33.2%	33.8%[9]

Note: Past performance is not an indicator of future performance.

7.2.3 Historical income statement

The summarised historical income statement of CMA set out below has been extracted from the reviewed financial statements of CMA for the half year ended 31 December 2016 (being the last financial statements prior to the date of this Explanatory Memorandum) and the audited financial statements for the full year ended 30 June 2016 and 30 June 2015. A full copy of CMA's reviewed financial statements in respect of the half year ended 31 December 2016 was released to ASX on 9 February 2017, and is available at CMA's website at http://centuria.com.au/listedproperty.

$m	30 June 2015[10]	30 June 2016	31 December 2016
Gross property income	13.0	36.3	19.3
Straight-lining of rental income	0.1	3.2	0.8
Interest income	0.1	0.1	0.0
Total revenue	**13.3**	**39.6**	**20.2**
Direct property expenses	(2.7)	(8.2)	(4.1)
Responsible Entity fees	(0.6)	(2.0)	(1.1)
Finance costs	(1.2)	(4.4)	(2.8)
Management and other admin. expenses	(0.4)	(1.0)	(0.8)
Total expenses	**(4.9)**	**(15.6)**	**(8.9)**
Investment properties revaluation gain/(loss)	2.6	23.2	15.0
Net loss on fair value of GPT Metro Office Fund investment	–	(0.1)	–
Net loss on fair value of CUA investment	–	–	(0.7)
Loss on fair value of derivative financial instrument	–	(2.4)	1.6
Statutory net profit	**11.2**	**44.8**	**27.1**

Note: Past performance is not an indicator of future performance.

7. Relates to the Centuria Metropolitan REIT stapled group for the period from 10 December 2014 to 30 June 2015.
8. Gearing is defined as total borrowings less cash divided by total assets less cash.
9. Including the debt drawdown of $14.5 million for the acquisition of the 8.76% strategic interest in CUA (previously TOF) on 9 January 2017 and excluding the net proceeds from 14 Mars Road, Lane Cove. Settlement occurred on 3 April 2017.
10. Relates to the Centuria Metropolitan REIT stapled group for the period from 10 December 2014 to 30 June 2015.

7.2.4 Historical distribution statement

The summarised historical distribution statement of CMA set out below has been extracted from the reviewed financial statements of CMA for the half year ended 31 December 2016 (being the last financial statements prior to the date of this Explanatory Memorandum) and the audited financial statements for the full year ended 30 June 2016 and 30 June 2015. A full copy of CMA's reviewed financial statements in respect of the half year ended 31 December 2016 was released to ASX on 9 February 2017, and is available at CMA's website at http://centuria.com.au/listedproperty.

$m	30 June 2015[11]	30 June 2016	31 December 2016
Statutory net profit	11.2	44.8	27.1
Straight-lining of rental income	(0.1)	(3.3)	(0.8)
Investment properties revaluation gain/(loss)	(2.8)	(23.2)	(15.0)
Loss on fair value of derivatives financial instrument	–	2.4	(1.6)
Net loss on fair value of GPT Metro Office Fund investment	–	0.1	–
Net loss on fair value of CUA investment	–	–	0.7
Lease incentives funded by vendors on property acquisitions	–	1.2	0.5
Distributable earnings	**8.2**	**22.0**	**10.9**
Distributable earnings per security	10.5 cents	18.4 cents	9.2 cents
Distribution per security	**9.2 cents**	**17.0 cents**	**8.75 cents**

Note: Past performance is not an indicator of future performance.

11. Relates to the Centuria Metropolitan REIT stapled group for the period from 10 December 2014 to 30 June 2015.

7.2.5 Consolidated statements of financial position

The summarised historical balance sheet of CMA set out below has been extracted from the reviewed financial statements of CMA for the half year ended 31 December 2016 (being the last financial statements prior to the date of this Explanatory Memorandum). A full copy of CMA's reviewed half-year statements in respect of the financial year ended 31 December 2016 was released to ASX on 9 February 2017, and is available at CMA's website at http://centuria.com.au/listedproperty.

$m	31 December 2016	Adjustment[12]	Pro Forma 31 December 2016
Assets			
Cash and cash equivalents	8.7		8.7
Trade and other receivables	0.2		0.2
Investments held at fair value	13.7		13.7
Prepayments	0.5		0.5
Total Current Assets	**23.1**		**23.1**
Investment Properties	417.5	(26.0)	391.5
Rental guarantee	–		–
Total Non-Current Assets	**417.5**		**391.5**
Total Assets	**440.6**		**414.6**
Liabilities			
Trade and other payables	23.7		23.7
Borrowings	–		–
Total Current Liabilities	**23.7**		**23.7**
Borrowings	138.6	(25.9)	112.7
Derivative financial instruments	1.5		1.5
Total Non-Current Liabilities	**140.1**		**114.2**
Total Liabilities	**163.8**		**137.9**
Net Assets	**276.8**		**276.7**
NTA per security	2.32		2.32
Gearing	33.8%		29.5%

12. Reflects the sale of 14 Mars Road, Lane Cove, for $26.0 million, which settled on 31 March 2017. Proceeds of $25.9 million received net of $0.1 million selling costs.

7.3 Capital management

CMA has maintained a disciplined and conservative approach to capital management. Key debt terms are listed below:

Metric	As at 31 December 2016
All in interest cost	3.9%[13]
Weighted average debt expiry	3.7 years
Facility limit	180.0 million
Undrawn capacity	51.4 million[14]
Hedge ratio (%)	60%
Interest coverage ratio (ICR)	5.3x
Weighted average term of interest rate hedging	3.2 years

Reflecting CPFL's prudent and disciplined approach to capital and risk management, at 31 December 2016, balance sheet gearing was 29.5%[14], within the target range of 25% to 35%.

7.4 CMA capital structure

As at the day immediately before the date of this Explanatory Memorandum, CMA had the following securities on issue:

Class of security	Total number on issue
CMA Units	119,407,764

7.5 Substantial CMA Unitholders

As at the day immediately before the date of this Explanatory Memorandum, CMA had the following substantial holders:

Unitholder	Number of CMA Units held	Percentage of total CMA Units issued
Centuria Capital Limited	19,358,805	16.2%
PEJR Investments Pty Ltd	13,096,667	11.0%
APN Funds Management Limited	6,592,447	5.5%
BT Investment Management Limited	6,030,316	5.1%

13. Including weighted average swap rate, facility establishment fees and all-in margins (base and line fees).
14. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

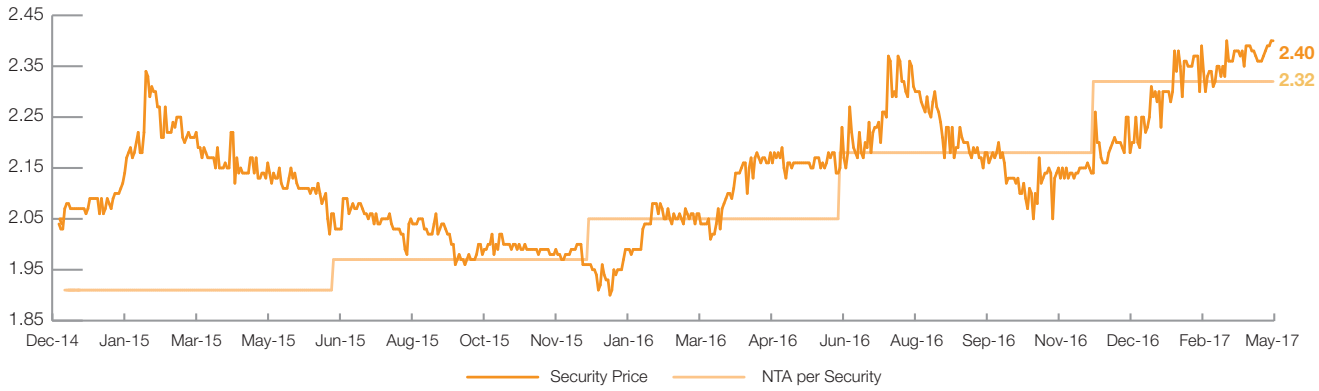
7.6 Recent performance

7.6.1 CMA Unit price performance

As at 11 May 2017, being the last trading day before the date of this Explanatory Memorandum:

- the last recorded trading price of CMA Units was $2.40, and
- the lowest and highest close prices of CMA Units during the previous three months were $2.23 and $2.40 respectively.

Outlined in the chart below is CMA's trading price performance since 10 December 2014, being the date of listing on ASX.



Note: Past performance is not an indicator of future performance.

7.6.2 Key events

Below is a list of significant ASX announcements made by CMA since listing on ASX. They may be viewed at www.asx.com.au.

Date	Event
April 2017	• Update on merger of CMA and CUA
March 2017	• Settlement of 14 Mars Road • Removal of Centuria Metropolitan REIT No. 2 from official list of ASX • CMA simplification proposal implemented • Scheme Implementation Agreement for merger of CMA and CUA • Proposed merger of CMA and CUA announced
February 2017	• Appointment and retirement of Company Secretary • CMA announces CMA simplification proposal • CMA 1H17 Results Presentation and Announcement • CMA 1H17 Appendix 4D and Half Year Report
January 2017	• CMA acquisition of 8.76% stake in TOF
December 2016	• CMA announces sale of 14 Mars Road, Lane Cove, NSW
November 2016	• CNI: acquisition of 360 Capital Group's Real Estate Platform • CMA proposed acquisition of an 8.76% stake in TOF

Date	Event
September 2016	• CMA acceptance of cash offer from Growthpoint Properties Australia regarding its stake in GPT Metro Office Fund
August 2016	• CMA FY16 Results Presentation and Announcement • CMA FY16 Appendix 4E and Full Year Report • CMA FY16 Property Compendium
July 2016	• CMA not proceeding with offer for GPT Metro Office Fund
June 2016	• Independent Board Committee of GPT Metro Office Fund supports CMA takeover bid • CMA launch takeover bid to acquire GPT Metro Office Fund
May 2016	• CMA proposal to acquire GPT Metro Office Fund
February 2016	• CMA 1H16 Results Presentation and Announcement • CMA 1H16 Appendix 4D and Half Year Report • CMA 1H16 Property Compendium
January 2016	• 1H16 operating update
December 2015	• Settlement of 203 Pacific Highway, St Leonards, NSW (50%)
October 2015	• Acquisition of 50% interest in 203 Pacific Highway, St Leonards, NSW
August 2015	• CMA FY15 Results Presentation and Announcement • CMA FY15 Appendix 4E and Full Year Report • CMA market update
June 2015	• CMA property acquisitions and senior hire
May 2015	• CMA retail offer completion • CMA retail offer booklet
April 2015	• Retail offer booklet • Completion of institutional entitlement offer • Investor presentation – acquisitions and entitlement offer • CMA – acquisitions and entitlement offer
March 2015	• Appointment of Darren Collins as CPFL Director
February 2015	• CMA 1H15 Appendix 4D and Half Year Report • CMA Market Update
December 2014	• CMA debt 100% hedged for five years • Product Disclosure Statement

7.7 Valuation policy

CMA has a real property valuation policy under which investment properties are measured at fair value and revalued on a regular basis to ensure the carrying amount of each property does not differ materially from its fair value at the balance date. A full independent valuation of each property is carried out at least once every two calendar years. In line with this policy, the oldest valuation was completed on 15 May 2016, whilst the most recent valuation was completed on 31 December 2016.

The fair value of investment property may be updated to reflect market conditions at the end of each reporting period. This represents best estimates as at the balance sheet date.

CPFL has a conservative investment approach with a preference for assets that are leased at market levels. This reduces the risk of any shortfall in long-term cash flow and underpins the capital values in the event that a centre falls vacant.

7.8 Distribution policy

CMA's current distribution policy is to set payout levels of 90% to 100% of financial year distributable earnings.

The distributable earnings of CMA represent net profit before tax (excluding transaction costs) adjusted for straight-lining of rental income, rent-free periods, gains or losses arising from movements in the fair value of investment properties, mark-to-market adjustments to derivatives and other non-cash items and the amortisation of lease incentives. CPFL intends to have regard to the cash available when determining the distribution.

CPFL pays distributions on a quarterly basis. CPFL can provide no guarantee as to the extent of future distributions and these will depend on the future distributable earnings of CMA and its financial position at that time.

CPFL will monitor the distribution policy of CMA to ensure that it is meeting the ongoing objectives of the fund and its investors.

Historical and Forecast Distribution (cents per security)

30 June 2015[15]	30 June 2016	30 June 2017 Guidance[16]
9.2	17.0	17.5

7.9 Responsible entity

Centuria Property Funds Limited is the Responsible Entity of CMA. Centuria Property Funds Limited holds an Australian financial services licence (number 231149) issued by ASIC, which allows it to administer property and financial asset funds at a retail and wholesale level, prepare PDSs and raise funds for property investment purposes.

Centuria Property Funds Limited's model is based on independent decision making to ensure a high level of expertise across each investment discipline. Management delivers economies of scale and consistent systems that are aligned with unitholder performance expectations.

7.10 Resourcing dependency

As CPFL is a wholly-owned subsidiary of Centuria Capital Group, it is reliant on Centuria Capital Group employees to provide the human resources necessary to manage and operate CPFL's funds management business. CPFL is also reliant on Centuria Capital's technology and operating systems for the management and operations of CMA.

15. Relates to the Centuria Metropolitan REIT stapled group for the period from 10 December 2014 to 30 June 2015.
16. FY17 distribution guidance of 17.5 cents per security as per ASX announcement on 23 March 2017.

7.11 Board and management

The board of Directors of Centuria Property Funds Limited have many years of proven expertise in real estate, banking and finance, financial planning and investment management. A broad and multi-dimensional approach, together with significant investment experience, particularly in the banking and finance arena, ensures the board has the necessary skills in mitigating risk and protecting capital.

Peter Done: Independent Chairman (Non-Executive Director)

Peter Done is Independent Chairman of Centuria Property Funds Limited, appointed to the CPFL Board in 2007; previously Partner at KPMG for over 27 years; Peter is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, and completed a Bachelor of Commerce.

Matthew Hardy: Independent Non-Executive Director

Matthew was appointed to the Board of CPFL in 2013; currently founding Director of Conari Partners; previously Head of Property Barclays Global Investors, Director of Property Investments for Mirvac Funds Limited, and Non-Executive Director of Mirvac Funds Management; Matthew is a member of the Royal Institution of Chartered Surveyors and the Australian Institute of Company Directors and completed a Bachelor of Science.

Darren Collins: Independent Non-Executive Director

Darren Collins was appointed to the CPFL Board in 2015; Darren has extensive experience in accounting, audit, financial management, corporate governance and regulation; previously Vice President of Finance and Administration at Computer Sciences Corporation for over 16 years, working as lead financial executive for businesses operating in Asia, Australia and the United States of America. Darren completed a Bachelor of Commerce (Accounting).

Jason Huljich: Executive Director

Jason Huljich is an Executive Director of Centuria Property Funds Limited, appointed to the CPFL Board in 2001; Jason is responsible for providing strategic leadership and ensuring the effective operation of Centuria Property Funds Limited's unlisted property portfolio; currently President of the Property Funds Association (PFA) and sits on its National Executive Committee. Jason completed a Bachelor of Commerce (Commercial Law).

CPFL's Board is well supported by a dedicated management team who are able to draw on broader resources of Centuria Group. The key people responsible for the management and operation of CMA are:

Nicholas Collishaw: CEO Listed Property Funds

Nicholas Collishaw is responsible for creating and overseeing the management of Centuria's listed funds; previously CEO and Managing Director at the Mirvac Group; Nicholas has over 30 years' experience in all major real estate markets within Australia and investment markets in the United States, United Kingdom and Middle East.

Simon Holt: Chief Financial Officer

Simon Holt is responsible for the financial and treasury management of Centuria; previously Chief Financial Officer of WorleyParsons and has held senior finance positions at Westfield Group; Simon is an associate of the Institute of Chartered Accountants Australia and is a member of the Australian Institute of Company Directors.

Nicholas Blake: Trust Manager

Nicholas Blake is responsible for the operation, strategic aspects and performance of CMA's activities; previously General Manager of Mirvac Industrial Trust; Nicholas has over 15 years of experience in the industry, having a comprehensive background in property funds management in both listed and unlisted funds in Australia and the United States.

Hengky Widjaja: Senior Trust Analyst

Hengky is responsible for assisting the Trust Manager and CEO in assessing, monitoring and forecasting the performance of the Trust; graduated with First Class Honours in Manufacturing System Engineering from RMIT University and holds a Master of Commerce (Investments) from University of New South Wales; previously held positions within Mirvac for over eight years.

Victor Georos: Head of Portfolio and Asset Management

Victor is responsible for overseeing portfolio and asset management of Centuria's portfolio, in addition to managing the Centuria Property Funds Valuation program; previously held senior positions with GPT Group and Lend Lease; Victor has extensive experience in asset and investment management, development and funds management, across the office, retail and industrial sectors.

Scott Creelman: Trust Accountant

Scott is responsible for preparing and managing all of CMA's financial affairs, including preparation of its statutory accounts; Scott is an associate of Chartered Accountants Australia and New Zealand.

Shalome Ruiter: Manager Investor Relations

Shalome manages investor relations for CMA and assists the Trust Manager and CEO in the investor relations strategy of CMA; previously Investor Relations Manager for FKP Property; Shalome has over 15 years' experience in the real estate and financial sectors, holding positions in property funds management in both listed and unlisted funds.

7.12 Corporate governance

As Responsible Entity of CMA, Centuria Property Funds Limited is committed to a strong corporate governance framework that aligns the interests of all CMA unitholders, is transparent and uncomplicated and brings best of breed expertise to the business.

CPFL's corporate governance policies, procedures and structures are independently monitored and reviewed to ensure CMA's business is operated ethically, responsibly and efficiently ensuring any issues are quickly identified and resolved.

To the extent they are applicable and appropriate for a company of CPFL's size and nature, CPFL has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (3rd Edition). In accordance with ASX Listing Rule 4.10.3 the extent to which CMA has sought to comply with each of the ASX Corporate Governance Council's eight principles of good corporate governance recommendations has been disclosed to ASX and is available on CMA's website at http://centuria.com.au/listedproperty.

7.12.1 Board nomination and rotation

Under the constitution of Centuria Property Funds Limited, directors are appointed by the current directors or by the members of the company.

The board of Centuria Capital Limited and its subsidiary companies (including Centuria Property Funds Limited) has established a Nomination and Remuneration Committee responsible for considering and recommending to the board of Centuria Capital Limited all issues within Centuria relating to, among other things, board appointments of Centuria Property Funds Limited.

7.12.2 Directors' remuneration structure and policy

Under the constitution of Centuria Property Funds Limited, directors are entitled to be paid for their services an annual sum to be determined by the company in general meeting, divided between them in such proportions as they may determine.

The Nomination and Remuneration Committee referred to in Section 7.12.1 is also responsible for considering and recommending to the board of Centuria Capital Limited all issues within Centuria relating to non-executive director remuneration for subsidiary company boards (including Centuria Property Funds Limited).

7.12.3 Board committees and delegation

The board of Centuria Capital Limited and its subsidiary companies (including Centuria Property Funds Limited) has established three committees to consider issues and strategies, within common areas, in order to advise the Centuria Group:

- the Audit, Compliance and Risk Committee – to assist the Centuria Group in fulfilling its duties, particularly those in relation to the group's audit, compliance and risk management responsibilities, including:
  - overseeing the group's accounting policies and financial reporting, including annual financial statements; and
  - overseeing the group's compliance with regulatory requirements;

- the Nomination and Remuneration Committee – to consider and recommend to the board of Centuria Capital Limited all issues within Centuria relating to, among other things:
  - non-executive director remuneration for subsidiary company boards (including CPFL);
  - senior executive remuneration; and
  - board appointments to Centuria Property Funds Limited; and
- the Investment and Lending Committee – to oversee and manage Centuria investments in accordance with investment objectives and frameworks as set down by the relevant board. It has responsibility for setting and reviewing strategic asset locations, reviewing investment performance, reviewing investment policy, monitoring and reporting on the performance of investment risk management policy and performing risk management procedures in respect of the investments.

Each committee has a written charter that is reviewed at least annually.

7.12.4 Directors' and officers' insurance

Centuria Property Funds Limited has paid insurance premiums in respect of directors' and officers' liability and legal expense insurance contracts for current and former directors and officers, including senior executives of the company.

7.12.5 Conflicts of interest

Centuria Property Funds Limited recognises that, given the nature of Centuria's business, the potential for conflicts of interests to arise requires constant monitoring. This is because members of the Centuria Group act as responsible entities and trustees of Centuria funds and therefore have fiduciary obligations arising under the Corporations Act, general law and the relevant constitution or trust deed.

Centuria Property Funds Limited and its officers and employees are subject to the Centuria Group policies and procedures for identifying and managing perceived, potential and actual conflicts of interest, which address matters including:

- identifying conflicts of interest, including in the contexts of transactions between Centuria entities and involving Centuria employees, relatives or associated entities;
- appropriately treating conflicts of interest, including by establishing information barriers; and
- maintaining registers of conflicts and directors' interests.

The CPFL Board is responsible for implementing these policies and procedures.

In addition, a conflicts policy for the Proposal has been established which applies to all of the subsidiaries of Centuria Capital Limited, and most particularly CPFL and CPF2L, which provides for internal policies and procedures for identifying, managing and where they cannot be managed, avoiding perceived, actual or potential conflicts of interest arising from the Proposal.

As part of these policies and procedures, each of CPFL and CPF2L have:

- established an independent board committee comprised only of those directors who are independent of (and not directors of) Centuria Capital Limited;
- engaged independent legal and corporate advisers;
- established separate deal teams;
- established information barriers so that each deal team will, to the extent reasonably practicable, maintain separate teams of Centuria Group staff to provide support in relation to the Proposal; and
- established arrangements such that the deal teams cannot access the files or information of the other deal team.

In respect of CMA's compliance with this conflicts policy, the Independent Board Committee of CPFL is responsible for overseeing the implementation of this conflicts policy.

7.13 Summary of the CMA Constitution

7.13.1 Overview

CMA is a managed investment scheme registered with ASIC. The CMA Constitution contains the main rules governing the operation of CMA.

The CMA Constitution sets out, among other things, the rights and liabilities attaching to CMA Units. Those rights are, in certain circumstances, also regulated by the Corporations Act and general law. Copies of the CMA Constitution are available upon request free of charge by emailing Centuria Investor Services at contactus@centuria.com.au or by calling +61 2 8923 8923 (local call costs apply).

The following is a summary of some of the principal rights and liabilities attaching to CMA Units as set out in the CMA Constitution.

The Corporations Act, exemptions and declarations given by ASIC, the ASX Listing Rules (subject to waivers), and the general law of trusts are also relevant to the rights and obligations of CPFL and of CMA Unitholders.

CPFL must ensure that the CMA Constitution meets the requirements of the Corporations Act. CPFL may amend the CMA Constitution without CMA Unitholders' approval if it reasonably considers that the amendment will not adversely affect CMA Unitholders' rights. Any other amendments must be by approval of a special resolution of CMA Unitholders.

7.13.2 Rights and liabilities

The main provisions of the CMA Constitution that deal with the rights and obligations of CMA Unitholders are as follows:

(a) Units: each CMA Unit confers an undivided interest in the assets of CMA as a whole. The CMA Constitution contemplates the issue of different classes of units.

(b) Options: subject to the Listing Rules and any applicable ASIC instrument, CPFL may grant options, the terms of which are set out in the Constitution.

(c) Stapling: the CMA Constitution provides for the stapling of units in CMA to units in another fund. Where stapling applies, CMA Unitholders will be holders of a stapled security, which is a security comprising of one CMA Unit and a unit in another fund stapled to CMA and the stapled securities will be able to be traded only as a single stapled security on ASX.

(d) Distributions: subject to the terms of issue of CMA Units, registered CMA Unitholders at the end of a distribution period are entitled to a share in the distribution amount proportionate to their holding. The distribution period is a period of not more than 12 months as determined by CPFL. CPFL may allow CMA Unitholders to invest all or some of anydistribution to acquire CMA Units, and must notify CMA Unitholders of the procedure for reinvestment.

(e) Transfer: while they are stapled, CMA Units, may only be transferred as part of stapled securities. CMA Unitholders may transfer CMA Units by a proper transfer in the manner approved by CPFL. CPFL may refuse to register a transfer of CMA Units where the transfer is not duly stamped (if required) or where such a refusal is permitted by the ASX Listing Rules or ASX. Subject to the ASX Listing Rules and ASX Settlement Operating Rules, while CMA is a listed entity, CPFL may suspend the registration of a transfer at such times and for such periods as permitted by the ASX Settlement Operating Rules of a CS Facility.

(f) No redemption: there is no right of redemption of the CMA Units and CPFL is not obliged to redeem any CMA Units pursuant to a redemption request.

(g) Winding up: if CMA is terminated and wound up, CMA Unitholders are entitled to receive a share of the net proceeds of the realisation of all cash, investments, rights and other scheme property, with adjustment for any unpaid amounts on the CMA Units and after CPFL has deducted its remuneration and costs and subject to any special rights or restrictions attached to any CMA Units. CMA terminates on the date on which it is terminated in accordance with the CMA Constitution or by law.

(h) Unitholder liability: for fully paid units, a CMA Unitholder's liability is limited under the CMA Constitution to the amount paid (or payable in the case of partly-paid units) for their CMA Units.

(i) Meetings: CMA Unitholders' rights to requisition, attend and vote at meetings are largely governed by the Corporations Act. The CMA Constitution provides that the quorum for a meeting is two members at all times during the meeting, present in person or by proxy, or in the case of a body corporate, by representative, holding at least 10% by value of the CMA Units on issue. CMA Unitholders are entitled to receive notice of, attend and vote at general meetings of CMA and to receive all notices, accounts and other documents required to be sent to CMA Unitholders under the CMA Constitution or the Corporations Act.

7.13.3 Powers, duties and liabilities of CPFL

The main provisions of the CMA Constitution that deal with the powers, duties and liabilities of CMA Unitholders are as follows:

(a) Powers: generally, CPFL has all powers that it is possible to confer on a trustee and all powers incidental to ownership of the assets of CMA as though CPFL were the absolute and beneficial

owner of those assets. In exercising its powers, CPFL may invest, including but not limited to, in real property, securities, derivatives and borrow or raise money, encumber any asset of CMA, incur any liability, and give guarantees or indemnities.

(b) Issues: subject to the CMA Constitution, the Corporations Act and the ASX Listing Rules, CPFL has the power to issue CMA Units and options over those units on such terms as it determines. The CMA Constitution contains a number of limits as to the price at which units may be issued and stapled together. The CMA Constitution contains a number of parameters, including certain discretions given to CPFL in certain instances, to determine the price at which CMA Units may be issued.

(c) Fees and expenses: CPFL may recover, out of CMA assets, expenses properly incurred in the operation of CMA. The CMA Constitution also authorises CMA to receive fees calculated in accordance with the terms set out in the CMA Constitution in relation to the proper performance of its duties in respect of CMA.

(d) Indemnity: CPFL is entitled to be indemnified out of the assets of CMA for any liability it incurs in properly performing or exercising any of its duties or powers in relation to CMA.

(e) Rights: CPFL may appoint an agent or delegate to perform any act or exercise any power that CPFL can in relation to CMA.

7.14 Material contracts

CPFL, AET and Centuria Property Services have entered into a Management Services Agreement dated 18 May 2015 pursuant to which Centuria Property Services is appointed to manage and provide services in relation to certain named properties, being properties held by AET as custodian for CMA.

The services under the Management Services Agreement include:

- financial and accounting services;
- physical surveillance services;
- estate administration services;
- retail management services; and
- detailed reporting services.

7.14.1 Development and Project Management Services Agreement

CPFL, AET and Centuria Property Services have entered into a Development and Project Management Services Agreement dated 19 November 2014 pursuant to which CPFL has appointed Centuria Property Services to provide management services, and AET has agreed to this appointment.

The management services under the Agreement include:

- development feasibility services;
- development planning services; and
- project management services.

The Development and Project Management Services Agreement provides that Centuria Property Services is the exclusive provider of the relevant services to CPFL, and CPFL must not engage any third party to provide any relevant service unless it has first offered Centuria Property Services the opportunity to provide the service and Centuria Property Services notified CPFL that it does not wish to provide the service.

In addition, Centuria Property Services is to refer, and procure that each Centuria Group member refers, all development opportunities which are identified, generated or under consideration by any Centuria Group member to CPFL. The relevant development opportunities are potential or existing property development projects in Australia that appear upon initial assessment by Centuria Property Services to satisfy the investment parameters determined by CPFL for investment by CMA.

7.14.2 Custodian Agreement

CPFL has appointed AET as custodian to hold assets of, and perform other duties and obligations in relation to, CMA and CMR2 and other Centuria funds under a custodian agreement. AET must perform its custodial services in accordance with the requirements of a service level agreement.

7.15 No withdrawals

There is no facility available to CMA Unitholders to apply to withdraw or redeem the units, fully or partially, while CMA Units are officially quoted on the ASX.

7.16 Labour standards and environmental, social or ethical considerations

CPFL does not directly take labour standards or environmental, social or ethical considerations into account for the purpose of selecting, retaining or realising investments of CMA, as these decisions are primarily based on economic considerations. However, sometimes these matters do indirectly affect the economic factors upon which investment decisions are based.

7.17 CMA Unitholders' right to information

CMA is a 'disclosing entity' under the Corporations Act and subject to regular reporting and disclosure obligations under the Corporations Act. A person, including a CUA Unitholder, has a right to obtain a copy of the following documents free of charge from CPFL:

- the annual financial report most recently lodged with ASIC by CPFL about CMA;
- any half-year financial report lodged with ASIC by CPFL about CMA after the lodgement of the most recently lodged annual financial report and before the date of this Explanatory Memorandum; and
- any continuous disclosure notices for CMA given to ASIC by CPFL after the lodgement of the most recently lodged annual financial report and before the date of this Explanatory Memorandum.

CPFL is also obliged to comply with the ASX Listing Rules including all applicable continuous disclosure and reporting requirements about CMA. In particular, CPFL has an obligation under the ASX Listing Rules (subject to certain exceptions) to immediately tell ASX about any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of CMA Units.

Copies of documents lodged with ASIC by CPFL in relation to CMA may be obtained from, or inspected at, an ASIC office (or may be available through their website), and will also be lodged with ASX as required, and available through the ASX website.

7.18 Complaints handling

The CMA Constitution contains provisions governing the procedures for dealing with complaints by investors. CPFL has procedures in place to properly consider and deal with any complaints received from investors. If you have a complaint or query in relation to the administration or management of CMA, please email compliance@compliance.com.au or write to CPFL at:

Centuria Property Funds Limited
Complaints Resolution Process
GPO Box 695
Melbourne VIC 3001

CPFL will ensure your complaint is acknowledged in writing within 14 days from receipt and will ensure that it receives proper consideration. Within 45 days of receiving the complaint, CPFL is required to communicate its decision in writing in relation to the complaint.

CPFL is also a member of Financial Ombudsman Service Limited (FOS), an external complaints resolution service that has been approved by ASIC. If you are dissatisfied with our response, you may raise the matter with FOS. Its contact details are:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Telephone: 1300 780 808
Fax: (03) 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

7.19 No cooling-off rights

No cooling-off rights apply to the issue of New CMA Units described in this Explanatory Memorandum.

8. Profile of the Merged Group

8.1 Merged Group post implementation of the Proposal

8.1.1 Merged Group – Overview

The merger under the Proposal is consistent with CMA's strategy to invest in metropolitan office markets in Australia and combines two highly complementary property portfolios to provide CMA Unitholders with an enhanced investment proposition relative to CUA on a standalone basis:

- material increase in scale with CMA's investment property portfolio increasing 54% to over $602[1] million;
- generation of accretion to CMA's FY18 distributable earnings per security;
- enhanced portfolio and tenant diversification;
- cost efficient acquisition structure minimises net tangible asset dilution compared to acquiring assets in the direct market; and
- improved trading liquidity and increased market capitalisation with the potential for ASX/S&P 300 index inclusion.

The Merged Group will have the highly experienced CPFL Board and senior management team with substantial experience in the property industry and property related finance, accounting and legal services. Further details are set out in Section 7.10.

8.1.2 Merged Group portfolio summary

The Merged Group will own and manage a combined portfolio of 15 direct property assets. A summary of the Merged Group's portfolio is set out below.

Property portfolio summary

	CUA	CMA[2]	Merged Group
Number of properties	3	12	15
Net lettable area	28,953	102,064	131,017
Book value ($ million)	210.4	391.5	601.9
Weighted average lease expiry (by income)	4.6	4.1	4.2
Occupancy (by income)	99.2%	98.7%	98.8%
Capitalisation rate	6.86%	7.57%	7.32%

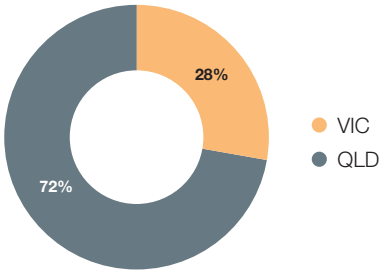
1. Combination of CMA and CUA investment property book value, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.
2. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

8.1.3 Geographic diversification

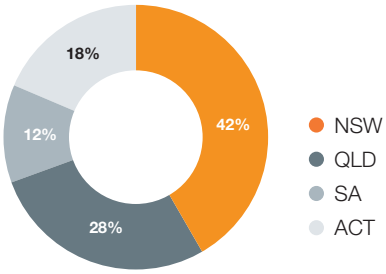
CMA maintains a geographically diverse portfolio of assets. The graphs on this page outline the change in geographic contribution of direct properties as a result of the Proposal:

Geographic exposure (by book value)

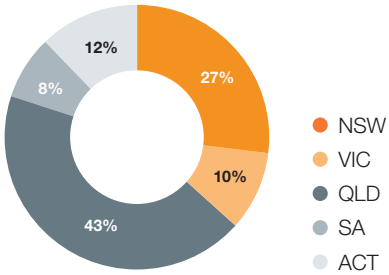
CUA standalone



CMA standalone



Merged Group

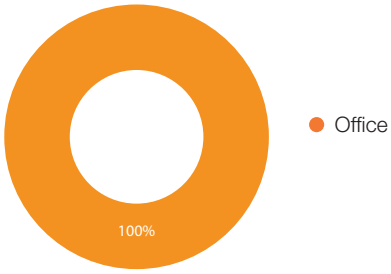


8.1.4 Asset diversification

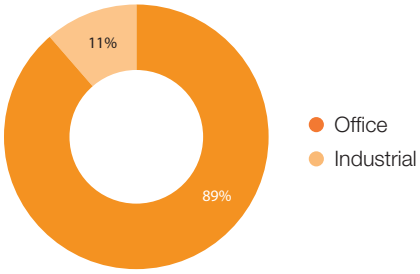
If the Proposal is implemented, CUA Unitholders will be exposed to CMA's two industrial assets, whereas standalone they were solely exposed to office assets.

Asset diversification (by book value)

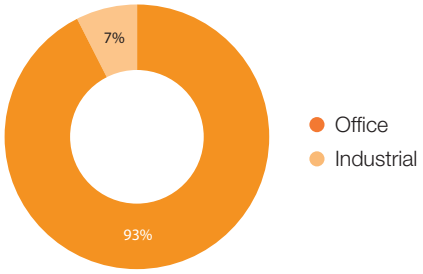
CUA standalone



CMA standalone[3]



Merged Group



3. As at 31 December 2016 with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

8.1.5 Tenant diversification

The combination of two complementary portfolios will broaden exposure to quality blue chip tenants, enhance CMA's ability to accommodate current and future tenant needs and provide exposure to new tenants who do not currently occupy a CMA-owned property. This diversification means that no single key tenant overlaps within the Merged Group's portfolio:

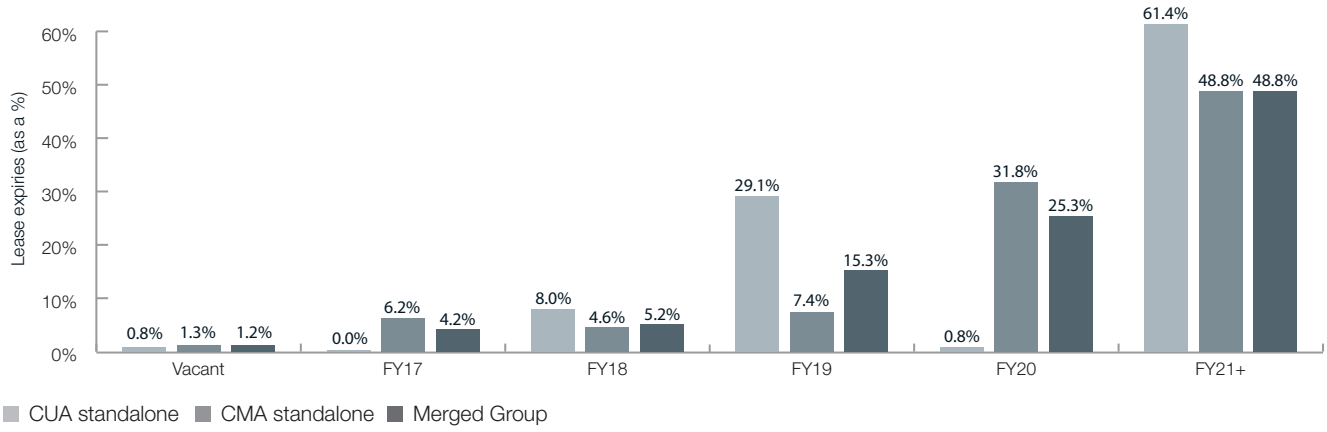
Rank	Tenant	%
1	AUSTAR	7.4%
2	BLUESCOPE	6.1%
3	Queensland Government | QCAA Queensland Curriculum & Assessment Authority	4.6%
4	GE Capital	4.6%
5	Australian Government (Minister for Infrastructure)	4.3%

8.1.6 Lease expiry profile

The two portfolios have lease expiry profiles that are spread over a number of years.

Lease expiries (% of net lettable area)

CUA standalone, CMA standalone[4] and Merged Group



8.2 CPFL's intentions after the acquisition of CUA

8.2.1 Operations of CUA

CPFL intends to continue to own and manage CUA's office properties should CUA Unitholders approve the Proposal. CPFL has no current intention to dispose of the assets of CUA, transfer CUA's assets to any other person, or raise further capital in respect of CUA.

If the Proposal is implemented, CUA will become a wholly-owned sub-trust of CMA. CPFL will cause CPF2L to apply for termination of official quotation of CUA Units on the ASX and removal of CUA from the official list of the ASX.

In addition, CPFL may procure the removal of CPF2L as Responsible Entity of CUA and may procure that CPFL or another entity become the Responsible Entity (or trustee) of CUA.

CPFL may also procure that CUA ceases to be a registered scheme with ASIC, as it will become a wholly-owned sub-trust of CMA.

8.2.2 Strategy of CUA

Upon successful implementation of the Proposal, CPFL intends to continue CUA's existing strategy of acquiring office properties in metropolitan markets.

CPFL intends to procure the operation of CUA's assets in line with CMA's existing strategy, with the objective of providing investors with income returns via quarterly distributions and the potential for capital growth through active management activities.

8.2.3 Employees

There are currently no employees of CUA and, as a result, there will be no change to the employment arrangements of any person as a result of the implementation of the Proposal.

8.2.4 Financial or dividend distribution policies of CUA

If the Proposal is implemented, CPFL has no intention to change, or procure the change of, the financial or dividend distribution policies of CUA. CPFL will adopt CMA's distribution policy of 90% to 100% of distributable earnings, which aligns with CUA's current policy.

If the Proposal is implemented, the composition of the CPFL Board will not change as a result of the implementation of the Proposal.

4. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

8.3 Capital management

8.3.1 Funding of the Proposal

The Proposal (including transaction costs) will be funded by the issue of New CMA Units and the New CMA Debt Facilities. The source and use of funds associated with the Proposal is set out below (in $ million).

Sources	8.76% stake[5]	Proposal	Total	Uses	8.76% stake	Proposal	Total
CMA scrip issuance		136.4	**136.4**	CUA Units (8.76%)	14.5		**14.5**
Debt	14.5	22.8	**37.2**	CUA Units (91.2%)		151.8	**151.8**
				Transaction costs[6]		7.4	**7.4**
Total	14.5	159.2	**173.6**	Total	14.5	159.2	**173.6**

8.3.2 Debt facility and hedging profile

CMA has $84.0 million hedged via interest rate swaps at a fixed rate of 2.72% p.a. (excluding margin and amortisation of costs) for the remainder of FY18.

CMA's existing swaps will be terminated for a one-off payment of $1.6 million.

Metric	As at 31 December 2016[7]
All-in interest cost	3.9%
Weighted average debt expiry	3.7 years
Facility limit	$180.0 million
Undrawn capacity	$51.4 million[8]
Hedge ratio (%)	60%
Interest coverage ratio (ICR)	5.3x
Weighted average term of interest rate hedging	3.2 years

5. CMA acquired 8.76% interest in CUA (previously TOF) on 9 January for $14.5 million based on acquisition prices of $2.25 per unit.
6. Transaction costs include includes termination of interest rate derivatives ($2.2 million), concessional stamp duty on the CUA portfolio ($1.2 million) and general transaction costs ($4.0 million).
7. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.
8. Reflects the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

CMA will continue to adopt the following approach to capital management:

- maintain a target gearing range of between 25% and 35% over the medium term;
- maintain sufficient head room relative to key loan covenants (including gearing ratios and interest coverage); and
- monitor and implement an appropriate hedging strategy to manage CMA's interest rate risks.

CMA has agreed terms for the New CMA Debt Facilities which will be used to partially fund the cash payment and transaction costs that will arise upon implementation of the Proposal.

CUA has $40.0 million hedged via interest rate swaps at a fixed rate of 2.64% p.a. (excluding margin and amortisation of costs) for the remainder of FY18. CUA existing hedges will be terminated for a one-off payment of $0.6 million.

Metric	As at 31 December 2016
Total facility limit	$80.0 million
Total borrowings	$41.5 million
Undrawn capacity	$38.5 million
Gearing	18.6%
Weighted average debt expiry	0.3 years
Interest Coverage Ratio (covenant 2.0x)	6.8x
Weighted average term of interest rate hedging	3.1 years

8.4 Distributions

It is expected that post implementation of the Proposal, the Merged Group will maintain CMA's current distribution payout policy. See Section 7.8 for further details.

8.5 Capital structure

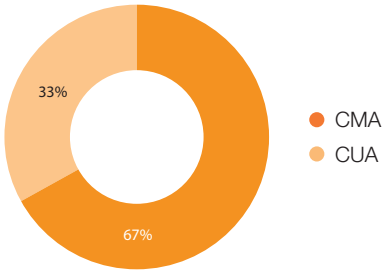
8.5.1 CMA Units on issue

If the Proposal is implemented, CMA will issue approximately 58.9 million New CMA Units to CUA Unitholders. As a result of the Proposal, the number of CMA Units on issue will increase from approximately 119.4 million (being the number currently on issue) to approximately 178.3 million as set out below:

CMA Units	
Number of CMA Units on issue	119.4 million
Number of New CMA Units to be issued to CUA Unitholders if Proposal becomes Effective and is implemented	58.9 million
Total number of CMA Units on issue after Proposal is implemented	178.3 million

8.5.2 Merged Group ownership structure

Based on the exchange ratio for the Scrip Component of the Scheme Consideration, existing CUA Unitholders will own approximately 33.0% of the Merged Group and existing CMA Unitholders will own approximately 67.0% of the Merged Group, as shown in the chart below:



Substantial Merged Group Securityholders

The Merged Group will have the following substantial holders:

Securityholder	Number of Merged Group securities held	Percentage of total Merged Group securities issued
Centuria Capital Limited	32,258,553	18.1%
PEJR Investments Pty Ltd	13,096,667	7.3%

8.6 Corporate governance, board and management

The board and management arrangements and corporate governance arrangements of CMA are outlined in Sections 7.10 and 7.11. These arrangements will be in place for the Merged Group on the Implementation Date and there are not expected to be any significant changes post implementation of the Proposal.

8.7 Rights and liabilities attaching to, and ranking of, New CMA Units

New CMA Units will be quoted on the ASX, like existing CMA Units, and will rank equally with existing CMA Units.

The rights and liabilities attaching to the New CMA Units will be the same as those attaching to existing CMA Units. These rights and liabilities are governed by the constitution of CMA, the Corporations Act, the ASX Listing Rules and general law. The Responsible Entity of CMA is responsible to holders of CMA units and for the operation of CMA, and owes duties under Chapter 5C of the Corporations Act and also fiduciary duties as trustee of CMA.

The key terms of the CMA Constitution are summarised in Section 7.13. However, this summary is not exhaustive and does not constitute a definitive statement of all rights and liabilities attaching to New CMA Units. Copies of the CMA Constitution are available upon request free of charge by emailing Centuria Investor Services at contactus@centuria.com.au or by calling +61 2 8923 8923 (local call costs apply).

8.8 Merged Group financial information

In accordance with the responsibility statement included in the Important Notices section on the inside front cover of this Explanatory Memorandum, CPFL has sole responsibility for preparing information contained in this Section 8, subject to CPF2L taking sole responsibility for the information that it has provided to CPFL for the purposes of preparing information on CMA following implementation of the Proposal, as specified in the definition of CPF2L Information.

It is important that you consider the risk factors that could affect CMA as detailed in Section 9, as well as the potential benefits of the Proposal.

In this Section 8 all references to a state of affairs are to be interpreted as existing at 31 December 2016, unless otherwise stated.

8.8.1 Overview

The pro forma financial information (Pro Forma Financial Information) contained in this Section 8 includes:

- the pro forma historical statement of financial position of the Merged Group as at 31 December 2016 (**Pro Forma Historical Statement of Financial Position**); and
- the pro forma forecast distributable earnings statement of the Merged Group for the year ending 30 June 2018 (**Pro Forma Forecast Distributable Earnings Statement**).

The Pro Forma Financial Information contained in this Section 8.8 has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The accounting policies used to prepare the Pro Forma Financial Information are based on the accounting policies of CMA, as applicable, contained in the financial statements for the financial period ended 31 December 2016 unless otherwise noted. CMA's financial statements can be accessed on its website at http://centuria.com.au/.

Following a review of the accounting policies as disclosed in CUA's financial statements for the financial period ended 31 December 2016 accessible via CUA's website at http://centuria.com.au/, the accounting policies of CMA and CUA are not considered to be materially different.

Therefore, at this time, no adjustments have been made to the unaudited consolidated Pro Forma Financial Information to align with accounting policies.

The Pro Forma Financial Information of CMA has been compiled based on the following transaction assumptions:

- the Scheme is implemented with Scheme Unitholders receiving 0.88 New CMA Units for every one CUA Unit they hold on the Record Date, and Cash Consideration of $0.23 for every one CUA Unit they hold; and
- transaction costs of $7.4[9] million incurred as a result of the transaction are funded by drawdown in debt.

Other pro forma adjustments have been made to compile the Pro Forma Historical Statement of Financial Position and the Pro Forma Forecast Distributable Earnings Statement of CMA (post the acquisition of CUA) is as set out in Section 8.9.3.

8.8.2 Pro Forma Historical Statement of Financial Position

(i) Basis of preparation

This Section outlines the Pro Forma Consolidated Statement of Financial Position as though the Proposal was implemented as at the close of business on 31 December 2016. The Pro Forma Consolidated Statement of Financial Position as at 31 December 2016 has been based on:

- the reviewed consolidated statement of financial position of CMA as at 31 December 2016 extracted from CMA's financial report for the half year ended 31 December 2016;
- the reviewed consolidated statement of financial position of CUA as at 31 December 2016 extracted from CUA's financial report for the half year ended 31 December 2016; and
- certain pro forma adjustments for CUA and CMA's financial position outlined in Section 8.8.2(ii).

(ii) Pro forma adjustments

The following pro forma adjustments have been made in producing the Pro Forma Consolidated Statement of Financial Position as at 31 December 2016:

- the reduction in CMA's investments held at fair value to reflect the consolidation of the 8.76% stake in CUA upon implementation of the Scheme. The book value of the stake is based on the CUA Unit price of $2.14 as at 31 December 2016 ($13.7m);
- the reduction in trade and other payables reflects the acquisition of CUA stake at the acquisition price of $2.25 per security ($14.5m) on 9 January 2017;
- borrowings increase to fund the acquisition of CMA's 8.76% stake in CUA prior to the implementation of the Proposal ($14.5 million), cash payment to CUA Unitholders in connection with the Proposal ($15.4 million) and transaction costs ($7.4 million)[9];
- reduction in derivative financial instruments liability reflecting CPFL's intention to terminate CUA and CMA's existing interest rate derivatives in conjunction with the Proposal; and
- the issue of 58.9 million of New CMA Units to fund the Scrip Consideration of the total Scheme Considerations. The number of New CMA Units anticipated to be issued is based on the merger ratio of 0.88 CMA Units for every CUA Unit.

9. Transaction costs ($7.4 million) anticipated to be incurred in relation to the Proposal which includes termination of interest rate derivatives ($2.2 million), concessional stamp duty on the CUA portfolio ($1.2 million) and general transaction costs ($4.0 million).

Pro Forma Historical Statement of Financial Position ($ million)

	Pro Forma 31 December 2016 CMA	Pro Forma 31 December 2016 CUA	Proposal adjustments	Pro Forma 31 December 2016
Assets				
Cash and cash equivalents	8.7	2.3	–	10.9
Trade and other receivables	0.2	0.6	–	0.8
Investments held at fair value	13.7	–	(13.7)	–
Prepayments	0.5	–	–	0.5
Total Current Assets	**23.1**	**2.9**	**(13.7)**	**12.2**
Investment properties	391.5	210.4	–	601.9
Total Non-Current Assets	**391.5**	**210.4**	**–**	**601.9**
TOTAL ASSETS	**414.6**	**213.3**	**(13.7)**	**614.1**
Liabilities				
Trade and other payables	23.7	4.9	(14.5)	14.1
Borrowings	–	–	–	–
Total Current Liabilities	**23.7**	**4.9**	**(14.5)**	**14.1**
Borrowings	112.7	41.4	37.2	191.2
Derivative financial instruments	1.5	0.6	(2.2)	–
Total Non-Current Liabilities	**114.2**	**42.0**	**34.9**	**191.2**
TOTAL LIABILITIES	**137.9**	**46.9**	**20.5**	**205.2**
NET ASSETS	**276.7**	**166.4**	**(34.3)**	**408.8**
Securities on issue (million)	119.4	73.3	58.9	178.3
NTA ($ per security)	2.32	2.27		2.29
Gearing (ND/TTA)[10]	29.5%	18.6%		30.2%

10. Net Debt/Total Tangible Assets (less cash and cash equivalents).

8.8.3 Standalone and pro forma forecast distributable earnings statements

The standalone and forecast financial information has been presented in this Section 8.8.3 to provide CUA Unitholders with a guide to the potential future performance of each of CMA and CUA on a standalone basis and the Merged Group.

(i) **Basis of preparation**

The standalone and pro forma forecast distributable earnings statements are derived from:

- the CMA consolidated forecast distributable earnings statement for the 12 months to 30 June 2018 prepared on a business-as-usual basis, assuming the Proposal is not implemented;
- the CUA consolidated forecast distributable earnings statement for the 12 months to 30 June 2018 prepared on a business-as-usual basis, assuming the Proposal is not implemented; and
- additional pro forma adjustments which are forecast to be effective following implementation of the Proposal.

Best estimate assumptions reflect the assessment of CMA (based on present circumstances) of anticipated economic and market conditions and the implementation of the respective managements' business strategies. While these best estimate assumptions are considered to be appropriate and reasonable at the time of preparing the forecast financial information, CUA Unitholders should appreciate that many factors which may affect the results are outside the control of CPFL Directors or may not be capable of being foreseen or accurately predicted.

Accordingly, actual results may vary materially from the forecast financial information. CUA Unitholders are advised to review the best estimate assumptions and risk factors described in this Section 8 and make their own assessment of the future performance and prospects of CUA (post implementation of the Proposal). CUA Unitholders should note past performance is not an indicator of future performance. CUA and CMA are not likely to pay Australian income tax, including CGT, provided CUA Unitholders and CMA Unitholders are presently entitled to all of the distributable earnings of CUA and CMA respectively and CMA and CUA are not classed as either a public trading trust or a corporate unit trust for Australian tax purposes.

(ii) **Best estimate assumptions**

General assumptions include:

- Scheme implemented on 29 June 2017;
- CPI increase on leases assumed to be 2.2% p.a.;
- all tenants continue their leasing obligations;
- no additional changes in property valuations; and
- no change in capital structure other than as contemplated under the Proposal.

CUA standalone assumptions for the forecast financial year ending 30 June 2018 include:

- net property income has been forecast on existing leases and CUA management assumptions for future occupancy rates, tenant turnover and market rentals;
- other income relates primarily to interest income expected to be derived from cash deposits during the forecast period ending 30 June 2018;
- CPF2L is entitled to management fees of 0.60% of the gross value of CUA's assets per year. The value of CUA's assets is assumed to remain unchanged throughout the forecast period;
- other expenses relate to audit and compliance, valuation, legal and leasing, as well as other miscellaneous expenses; and
- borrowing cost assumptions are based on CUA's existing facility fees and debt margins. These estimates also take into account existing interest rate derivatives, forecast levels of drawn debt and forecast BBSY rates for that portion of debt that is at a floating rate.

CMA standalone assumptions for the forecast financial year ending 30 June 2018 include:

- net property income has been forecast on existing leases and CMA management assumptions for future occupancy rates, tenant turnover and market rentals;
- other income relates primarily to interest income expected to be derived from cash deposits during the forecast period ending 30 June 2018;
- CPFL is entitled to a management fee of 0.55% of the gross value of CMA's assets per year. The value of CMA's assets is assumed to remain unchanged throughout the forecast period;
- the standalone other expenses relate to audit and compliance, valuation, legal and leasing, as well as other miscellaneous expenses; and

- the standalone borrowing cost assumptions are based on CMA's existing facility fees and debt margins. These estimates also take into account existing interest rate derivatives, forecast levels of drawn debt and forecast BBSY rates for that portion of debt that is at a floating rate.

(iii) **Pro forma adjustments**

The following pro forma adjustments have been made in producing the Pro Forma Forecast Distributable Earnings Statements for the financial year ending 30 June 2018:

- under the Proposal, CPF2L has agreed that, if the Scheme is implemented, it will reduce the ongoing annual base management fees paid in respect of CUA assets from 0.60% to 0.55% of gross asset value. This amounts to $0.1 million of savings on an annual basis for the Merged Group versus the management fees assumed in CUA's forecast distributable earnings statement on a standalone basis;
- net cost savings and synergies due to a reduction in duplicated general administration and listing expenses as well as economies of scale of the Merged Group are expected to amount to $0.3 million;
- the additional interest expense reflects the additional debt that the Merged Group would incur in connection with the Proposal. In total, interest expense is expected to increase by a net $0.3 million as a result of the following best estimate assumptions and adjustments to borrowings as a result of the Offer:
  - debt funding the 8.76% strategic interest of $14.5 million acquired on 9 January 2017, prior to implementation of the Scheme;
  - debt funding the cash payment associated with the Proposal, being $15.4 million;
  - debt funding all transaction costs of $7.4 million[1];
  - debt funding the termination of CMA and CUA's existing interest rate derivatives ($2.2 million); and
  - offset by reduction in interest expense as a result of the termination of both CMA and CUA's existing interest rate derivatives.
- the issue of 58.9 million of New CMA Units to fund the Scrip Consideration of the total Scheme Considerations. The number of New CMA Units anticipated to be issued is based on the merger ratio of 0.88 CMA Units for every one CUA Unit.

Pro Forma Forecast Distributable Earnings Statement ($m)

$m	CMA FY18 Forecast	CUA FY18 Forecast	Adjustments	Pro Forma FY18 Forecast
NPI	29.9	14.5	–	44.4
Other income	0.1	0.0	–	0.1
RE fees	(2.2)	(1.4)	0.1	(3.5)
Other expenses	(0.9)	(0.3)	0.3	(0.9)
Interest expense	(4.9)	(1.9)	(0.3)	(7.1)
Distributable earnings	**22.0**	**11.0**	**0.1**	**33.1**
Weighted average securities	119.4	73.3	58.9	178.3
Distributable earnings per security (cents)	**18.4**	**15.0**		**18.6**

1. Transaction costs ($7.4 million) anticipated to be incurred in relation to the Proposal which includes termination of interest rate derivatives ($2.2 million), concessional stamp duty on the CUA portfolio ($1.2 million) and general transaction costs ($4.0 million).

(iv) **Reconciliation to statutory earnings**

A summary of the reconciliation of Merged Group distributable earnings and Pro Forma Forecast of statutory net profit for the year ending 30 June 2018 is set out below.

The pro forma statutory net profit for the Merged Group includes fair value adjustment gains and losses, incentive amortisation and rent straight-line adjustments.

CUA's and CMA's best estimate assumptions and general assumptions are outlined in Section 8.8.3 and have been assumed in calculating the pro forma statutory net profit.

	CMA FY18 Forecast	CUA FY18 Forecast	Adjustments	Pro Forma FY18 Forecast
Distributable earnings	22.0	11.0	0.1	33.1
Straight lining of rental income	(0.1)	0.2	–	0.1
Amortisation of leasing commissions and tenant incentives	(2.0)	(0.1)	–	(2.0)
Investment properties revaluation gain/(loss)	(0.0)	–	–	(0.0)
Gain/(loss) on swap revaluations	–	–	(0.1)	(0.1)
Amortisation of borrowing costs	(0.2)	(0.1)	(0.0)	(0.3)
Net profit/(loss) attributable to securityholders	**19.6**	**11.0**	**(0.0)**	**30.7**

(v) **Sensitivity to reinvestment case**

The following pro forma adjustments have been made in producing the Pro Forma Forecast Distributable Earnings Statements in relation to sensitising the reinvestment of the net proceeds from the sale of 14 Mars Road for the financial year ending 30 June 2018:

- adjusted NPI based on reinvestment of $25.9 million at a range of capitalisation rates from 6.0% to 7.0%;
- acquisition transaction costs of $1.5 million based on 5.65% of acquisition price;
- incremental RE fees of $0.1 million based on CMA management fees of 0.55%; and
- increased interest expense of $0.8 million to fund the $25.9 million acquisition and $1.5 million transaction costs at a marginal cost of debt of 4.00%.

	Merged Group Pro Forma FY18 Forecast	6.0% cap rate	6.25% cap rate	6.50% cap rate	6.75% cap rate	7.0% cap rate
FY18 Distributable earnings (cents per CUA unit)	18.6	18.7	18.8	18.8	18.8	19.0

(vi) **Impact of the Proposal on CUA Unitholders**

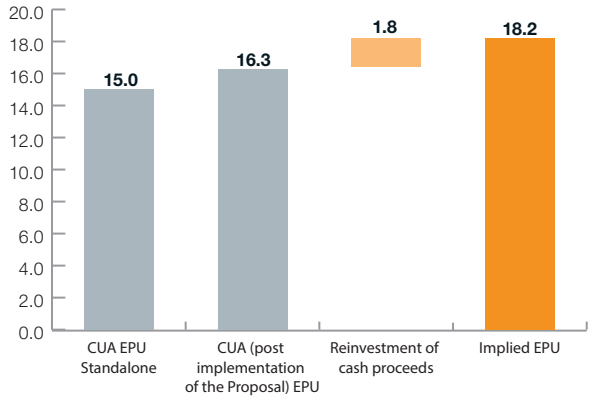
The following sets out the impact on CUA Unitholders of the Proposal.

	CUA standalone	CUA (post completion of Proposal)	Impact of Proposal on CUA Unitholders	Impact of Proposal on CUA Unitholders (%)
FY18 Distributable earnings (cents per CUA unit)	15.0	18.2	3.2	20.8%
Pro forma NTA as at 31 December 2016 ($ per CUA security)	2.27	2.25	(0.02)	(0.9%)
Pro forma gearing as at 31 December (%)	18.6%	30.2%	n/a	11.6%

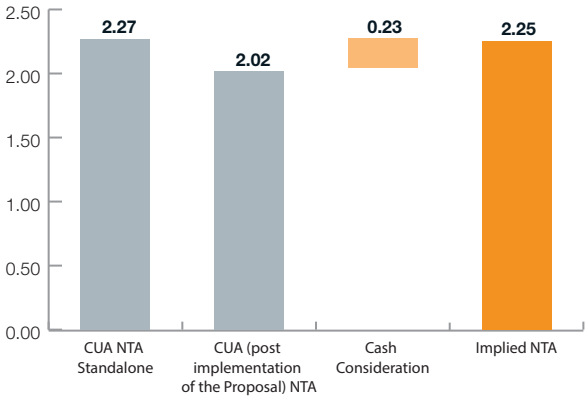
Adjusted impact on CUA Unitholders

The below shows the impact of the reinvestments of cash proceeds on CUA Unitholders.

EPU[11] (cents per CUA Unit)



NTA ($ per CUA Unit)



11. Reinvestment of cash proceeds of 1.8 cents EPU reflects the equivalent EPU generated through reinvesting into the Merged Group based on the CMA Security price of $2.34 as at 2 March 2017, being the last trading day prior to the announcement of the Proposal.

9. Risk factors

If the Proposal is implemented, Scheme Unitholders (other than Ineligible Foreign Unitholders) will receive New CMA Units.

Scheme Unitholders should be aware that there are a number of risks associated with investing in New CMA Units, which could reduce the price of New CMA Units in the future. There are many risk factors that could adversely affect CMA's financial performance, financial position and cash flows including:

- risks specific to the Proposal;
- risks that are specific to CMA's existing business and which will therefore be risks to which Scheme Unitholders will be exposed;
- risks of the Merged Group;
- general business risks common to A-REITs; and
- other general risks.

The risk factors identified in this Section 9 are not exhaustive and do not take into account individual Scheme Unitholders' investment objectives, financial situation, tax position or particular needs. They are some of the key risks that are known to CUA and CMA as at the date of this Explanatory Memorandum. No assurances or guarantees of the future performance of, profitability of, or payment of distributions by CMA are given.

9.1 Risks specific to the Proposal

9.1.1 Due diligence

CPFL has conducted due diligence investigations of CUA. There is a risk, however, that CPFL may not have conducted due diligence on all material information and that any assumptions made during the due diligence period may prove to be false or incorrect.

Further, if any of the data or information provided to or relied upon by CPFL in its due diligence investigations and the preparation of this Explanatory Memorandum proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of CUA post implementation of the Proposal may be materially different to the financial position and performance expected by CPFL and reflected in this Explanatory Memorandum.

9.1.2 Implementation risk

As set out in Section 12.19.1, the obligations of CPFL and CPF2L to implement the Scheme under the Scheme Implementation Agreement are conditional on the satisfaction or waiver of conditions precedent. It is possible that these conditions precedent may not be satisfied and that the Proposal may not proceed.

9.1.3 Tax consequences for CUA Unitholders

If the Proposal is implemented, there may be tax consequences for Scheme Unitholders. Scheme Unitholders should seek their own professional advice regarding the individual tax consequences of the Proposal applicable to them.

9.1.4 Market rating or security price of CMA Units

While the Independent Board Committee of CPFL believes that the Proposal will broaden the investor appeal of CMA, there is no guarantee that the price of CMA Units will increase as a result of the Proposal.

9.1.5 Value of Scrip Consideration is not certain

Scheme Unitholders will be offered New CMA Units as consideration under the Proposal. In addition, the Nominee will be issued New CMA Units attributable to Ineligible Foreign Unitholders.

The exact value of the Scrip Consideration is not certain. The value of the consideration for these participants in the Proposal will fluctuate and may significantly vary from the market value of CMA Units on the date of this Explanatory Memorandum or the Meeting.

There is no guarantee regarding the market price that will be realised by the Nominee or the future market price of New CMA Units. Future market prices may be either above or below current or historical market prices.

9.1.6 Trading during deferred settlement trading period

Scheme Unitholders will not necessarily know the exact number of New CMA Units (due to rounding) they will receive as the Scrip Consideration until a number of days after those securities can be traded on ASX on a deferred settlement basis.

Scheme Unitholders who trade CMA Units on a deferred settlement basis without knowing the number of CMA Units they will receive as Scrip Consideration may risk adverse financial consequences if they purport to sell more CMA Units than they receive.

9.2 Risks specific to CMA

9.2.1 General property market risks

Both CUA's and CMA's earnings will be subject to the prevailing property market conditions. Adverse changes in prevailing market sentiment in the sector in which CUA or CMA operates or invests may adversely affect earnings. These factors may adversely affect the value of, and returns generated from, property investments undertaken by either CUA or CMA from time to time, and may influence the acquisition of properties, the timing and value of sales, and the carrying value of projects and income-producing assets.

9.2.2 Concentration risks

Both CUA's and CMA's portfolios are highly concentrated in office and industrial properties. Adverse events that occur in relation to the office and industrial sector may result in general deterioration of tenants' ability to meet their lease obligations across the portfolio or to future growth prospects of the current portfolio.

9.2.3 Future acquisitions

A key element of CPFL's future strategy, as Responsible Entity of CMA, will involve the acquisition of assets to add to CMA's property portfolio. There are inherent risks in such acquisitions. These risks could include unexpected problems or other latent liabilities such as the existence of asbestos or other hazardous materials or environmental liabilities.

9.2.4 Availability of capital

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

9.2.5 Refinancing requirements

CMA is exposed to risks relating to the refinancing of existing debt instruments and facilities. CMA (post implementation of the Proposal) will have debt facilities in place of $240 million. CMA has agreed terms with its lenders for the New CMA Debt Facilities and believes it will have finalised prior to any facility expiries. CMA manages its refinancing exposure through adopting a conservative approach to capital management, including the use of a target gearing range of between 25% and 35% and allowing for sufficient head room relative to key loan covenants.

9.2.6 Interest rate risk

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

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

9.2.7 Impact of financing covenants

CMA has various covenants in relation to its banking facilities, including:

- a maximum loan to value ratio (**LVR**) of 50%; and
- a minimum interest cover ratio of 2.0 times.

In the event that these covenants are breached, financiers may seek to exercise enforcement rights under debt documentation. As a result of the implementation of the Proposal, CMA's gearing will increase from 29.5% to 30.2%, well within CMA's existing covenants.

Factors such as falls in asset values and the inability to achieve timely asset sales at prices acceptable to CMA could lead to a breach in debt covenants. In such an event, CMA's lenders may require their loan to be repaid immediately.

9.2.8 Financial forecasts

There is a risk that the assumptions in the financial information in this Explanatory Memorandum may not hold, such that actual earnings of CMA may differ from the forecast earnings.

9.2.9 Taxation

Changes in tax law (including GST and stamp duties), or changes in the way taxation laws are interpreted in the various jurisdictions in which CMA operates, may impact the tax liabilities of CMA. Under current income tax legislation, 'flow-through' trusts are generally not liable for Australian income tax, including CGT, provided unitholders are presently entitled to all of the income of those trusts each year. Should the actions or activities of a 'flow-through' trust such as CMA (or its controlled entities) result in the relevant trust falling within the operative provisions of Division 6B or 6C of the *Income Tax Assessment Act 1936* (Cth), the relevant trust would

be taxed on its net income at the corporate income tax rate, which is currently 30%.

9.3 Risks of the Merged Group

9.3.1 Integration risks

The long-term success of the Merged Group will depend, amongst other things, on the success of management in integrating the respective businesses. There is a risk that implementation of the Proposal may not result in the full realisation of cost savings due to various factors including:

- the integration of information systems and transition of data, technical, financial and legal information and resources may not proceed smoothly and may divert management's attention from managing the Merged Group's business;
- the systems relating to the property management of the CUA properties may differ from those used by CMA. The use of different systems may affect the level of synergies that may be achieved;
- asset-specific knowledge may not be transitioned efficiently and effectively, resulting in disruption to the business of the Merged Group;
- tenants in the CUA portfolio with upcoming lease expiries may want to continue to be managed over the long term by CPF2L through the CPF2L platform and therefore seek to occupy alternative premises. CPFL is an experienced owner and manager of office properties and will seek to engage with tenants post implementation of the Proposal to reassure them of CPFL's capabilities as the owner and manager of properties in the Merged Group portfolio; and
- the payment of various fees for a period of time post implementation of the Proposal. The Merged Group will be required to pay Responsible Entity fees to CPF2L for so long as CPF2L remains as Responsible Entity of CUA.

As a result, revenue streams or operations could be disrupted, anticipated synergies, efficiencies and benefits may only be achieved in part or not at all or after a delay, and costs associated with the transition may be greater than expected, which could adversely affect the Merged Group's financial position and performance and the future prospects of the Merged Group. See Section 8 for further details on the cost savings.

CPFL believes that these integration risks are mitigated by its extensive property management platform and assets under management, and the dedicated team established to attend to handover arrangements. For further details regarding the integration risks of the Proposal, see the Independent Expert's Report included in Section 10.

9.3.2 Accounting revisions may be required

CUA has accounting policies and methods, including making accounting estimates which affect how it records and reports its financial position and results of operations.

While no material differences between CMA and CUA policies have been identified, the integration of CUA may lead to revisions of asset and liability balances which may adversely impact the Merged Group's reported financial position.

9.3.3 Taxation

Changes in tax law (including goods and services taxes and stamp duties), or changes in the way taxation laws are interpreted may impact the future tax liabilities of the Merged Group. Under current income tax legislation, the flow-through trusts are generally not liable for Australian income tax, including CGT, provided securityholders are presently entitled to all of the income of those trusts each year. Should the actions or activities of one of the flow-through trusts (or their controlled entities) cause the relevant trust to fall within the operative provisions of Division 6B or 6C of the *Income Tax Assessment Act 1936* (Cth), the relevant trust may be taxed on its (taxable) income at a rate which is currently equivalent to the corporate income tax rate of 30%.

9.3.4 Forecast risks

CUA Unitholders should note that the historical financial performance of CMA is no assurance or indicator of the future financial performance of CMA.

9.3.5 Key personnel

The Merged Group will be reliant on a number of key personnel to manage the day-to-day requirements of the business. Loss of such personnel, or inability to attract suitably qualified personnel, may have a material adverse impact on the Merged Group's performance.

The Merged Group's ability to provide active management capability across the enlarged portfolio will depend in large part on the efforts of these individuals. The Merged Group will face competition for qualified personnel, and there can be no guarantee that it will be able to attract and retain such personnel.

9.4 A-REIT sector risks

A-REITs have a number of property investments. Generally property investment activities have a number of risks including:

9.4.1 Returns from investment

Returns from property investment assets largely depend on the rental income generated from the property and the expenses incurred in the operation of that property, including the management and maintenance of the property as well as the changes in the market value of the property. Factors that may reduce these returns include:

- the overall conditions in the national and local economy, such as changes to growth in gross domestic product, employment, inflation and interest rates;
- local real estate conditions, such as changes in the demand and supply for retail, office, industrial or hotel/tourism assets or rental space;
- the perception of prospective tenants regarding attractiveness and convenience of assets;
- the convenience and quality of properties;
- changes in tenancy laws;
- external factors including war, terrorist or force majeure events;
- unforeseen capital expenditure;
- supply of new properties and other investment assets; and
- investor demand/liquidity in investments.

9.4.2 Leasing terms and tenant defaults

The future financial performance of A-REITs will largely depend on their ability to lease properties that become vacant on expiry of leases, on economically favourable terms. Insolvency or financial distress of any of the tenants may reduce the income received from the assets.

9.4.3 Liquidity of property investments

The nature of investments in property assets may make it difficult to generate liquidity in the short term if there is a need to respond to changes in economic or other conditions.

9.4.4 Asset values

Asset values are affected by many factors including prevailing market conditions, risk appetite, volume of sales, the ability to procure tenants, contracted rental returns, operating, maintenance and refurbishment expenses and the funding environment. Asset value declines may increase gearing levels and their proximity to covenant limits.

9.4.5 Counterparty/Credit risk

A-REITs are exposed to the risk that third parties, such as tenants, developers, service providers and counterparties to other contracts may not be willing or able to perform their obligations.

9.4.6 Fixed nature of costs

Many costs associated with the ownership and management of property assets are fixed in nature. The value of assets may reduce if the income from the asset declines and these fixed costs remain unchanged.

9.4.7 Capital expenditure

A-REITs are exposed to the risk of unforeseen capital expenditure requirements in order to maintain the quality of the buildings and tenants.

9.4.8 Insurance

A-REITs purchase insurance, customarily carried by property owners, managers, developers and construction entities, which provides a degree of protection for their assets, liabilities and people. Such policies include material damage of assets, contract works, business interruption, general and professional liability and workers compensation. There are however certain risks that are uninsurable (e.g. nuclear, chemical or biological incidents) or risks where the insurance coverage is reduced (e.g. cyclone, earthquake).

A-REITs also face risk associated with the financial strength of their insurers to meet indemnity obligations when called upon, which could reduce earnings.

9.4.9 Force majeure risk

There are some events that are beyond the control of A-REITs or any other party, including acts of God, fires, floods, earthquakes, wars, strikes and acts of terrorism. Some force majeure risks are effectively uninsurable, and if such events occur they may have materially adverse effects on the A-REIT.

9.4.10 Regulatory issues and changes in law

A-REITs are exposed to the risk that there may be changes in laws that negatively affect financial performance (such as by directly or indirectly reducing income or increasing costs).

9.4.11 Competition

A-REITs face competition from within the A-REIT sector, and also operate with the threat of new competition entering the market. The existence of such competition may have an adverse impact on an A-REIT's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis, or the pricing of

construction projects or development opportunities, which in turn may negatively affect an A-REIT's financial performance and returns to its investors.

9.4.12 Environmental

A-REITs are exposed to a range of environmental risks, which may result in project delays or additional expenditure. In such situations, they may be required to undertake remedial works and potentially be exposed to third party liability claims and/or environmental liabilities such as penalties or fines.

9.5 Other general risks

9.5.1 General economic conditions

CMA's financial performance, and the market price of CMA Units, is influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, exchange rates, commodity prices, ability to access funding, oversupply and demand conditions, government fiscal, monetary and regulatory policy changes in gross domestic product and economic growth, employment levels and consumer spending, consumer and investment sentiment and property market volatility. Prolonged deterioration in any or all of these conditions, an increase in the cost of capital or a decrease in consumer demand, could have a materially adverse impact on CMA's financial performance. This risk is heightened in the current uncertain economic environment.

9.5.2 Inflation

Higher than expected inflation rates generally or specific to the property sector could be expected to increase operating costs and development costs.

9.5.3 Litigation and disputes

Disputes or litigation may arise from time to time in the course of business activities. There is a risk that material or costly disputes or litigation could adversely affect financial performance and the value of CMA Units.

9.5.4 Occupational health

The Merged Group will be subject to laws and regulations governing health and safety matters.

Failure to comply with the necessary occupational health requirements across the jurisdictions in which CMA operates could result in fines, penalties and compensation for damages as well as reputational damage.

9.5.5 Market risks

Investors should be aware that the market price of CMA Units and the future distributions made to CMA Unitholders may be influenced by a number of factors that are common to most listed investments, some of which are beyond CMA's control. At any point in time, these may include:

- the Australian and international economic outlook;
- movements in the general level of prices on international and local equity and credit markets;
- changes in economic conditions including inflation, recessions and interest rates;
- changes in market regulators' policies and practice in relation to regulatory legislation;
- changes in government fiscal, monetary and regulatory policies; and
- the demand for CMA Units.

The market price of CMA Units may therefore not reflect the underlying NTA of CMA.

9.5.6 Other factors

Other factors that may affect CMA's performance include changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets including as a result of terrorist attacks or war.

10. Independent Expert's Report

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The Independent Directors
Centuria Property Funds No. 2 Limited
As responsible entity of Centuria Urban REIT
Level 39
100 Miller Street
North Sydney NSW 2060

8 May 2017

Subject: Proposed acquisition by way of Trust Scheme

Dear Independent Directors

Introduction

1 On 3 March 2017, Centuria Property Funds No. 2 Limited (CPF2L) as responsible entity (RE) of Centuria Urban REIT (CUA) announced that it and Centuria Property Funds Limited (CPFL) as RE of Centuria Metropolitan REIT (CMA) had signed a Scheme Implementation Agreement (the Agreement). The Agreement was subsequently amended on 21 April 2017[1]. Under the Agreement, CMA will acquire all of the issued units in CUA that it does not own.

2 The proposed acquisition of the units is to be implemented by way of a trust scheme between CUA and its unitholders, other than CMA (the Trust Scheme). The Trust Scheme is conditional upon CMA unitholders approving the acquisition of the units in CUA held by Centuria Capital Limited (Centuria Capital)[2]. It is also subject to a number of other conditions precedent and must be approved by the requisite majority of CUA unitholders, other than CMA and its associates (the Non-Associated CUA Unitholders) in order to proceed (the conditions precedent and voting resolutions are summarised in Section I of our report).

3 If the Trust Scheme is approved and implemented, CUA unitholders will receive 0.88 CMA units and $0.23 cash for each CUA unit they hold on the Scheme Record Date[3] (Scheme Consideration). CUA and CMA are both permitted to declare and pay fourth quarter (i.e. June quarter) distributions to their respective unitholders of not more than 3.75 cents and 4.375 cents per unit respectively[4].

1 The amendments predominately related to the insertion of an additional condition and changes to the timetable.

2 Centuria Capital currently holds 19.99% of the CUA units on issue.

3 The Scheme Record Date is presently expected to be 7:00 pm on the fifth business day after the Trust Scheme becomes effective (i.e. 22 June 2017).

4 Pursuant to the Agreement, these distributions will be paid the earlier of one day immediately prior to the Implementation Date (currently expected to be 29 June 2017) and 30 June 2017.

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CUA

4 CUA[5] is an externally managed real estate investment trust (REIT) that listed on the Australian Securities Exchange (ASX) on 24 April 2014. CUA focuses on acquiring Australian located A-grade suburban and B-grade central business district (CBD) office properties in the $30 million to $100 million range, with a focus on yield and security of income. Its current portfolio consists of three A-grade suburban offices properties (two in Brisbane and one in Melbourne). CUA does not invest offshore and is not exposed to development risk.

CMA

5 CMA is an externally managed REIT that listed on the ASX on 10 December 2014. CMA focuses on acquiring office and industrial properties in metropolitan markets across Australia that deliver stable and predictable rental income with opportunity for capital growth. Its current portfolio comprises 12 properties; 10 office and two industrial properties[6] geographically diversified across Sydney, Brisbane, Canberra and Adelaide.

Purpose of report

6 The mechanisms used to implement a trust scheme are based upon and governed by the *Corporations Act 2001* (Cth) (Corporations Act) provisions, Takeovers Panel guidance and general trust law[7].

7 A transfer trust scheme cannot be implemented without a securityholder vote under s611(7) of the Corporations Act. The Corporations Act requires securityholders approving a s611(7) resolution to be provided with all material information in relation to the proposed transaction. The Australian Securities & Investments Commission (ASIC) requires an entity to commission an independent expert's report (IER) or, if it has the expertise, a director's report to the same standard, in order to discharge the information disclosure requirements imposed upon it by the Corporations Act.

8 The Takeovers Panel has assumed jurisdiction of disputes involving trust schemes and has published Takeovers Panel Guidance Note 15 – *Trust scheme mergers* (TPGN 15), which sets out its approach to supervising trust schemes. TPGN 15 requires the Notice of Meeting and Explanatory Memorandum to contain a report by an independent expert that states, inter alia, whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable to the holders of the target other than the acquirer and its associates.

9 Further, the Trust Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Trust Scheme is in the best interests of Non-Associated CUA Unitholders.

---

5 In January 2017, Centuria Capital and CMA acquired approximately 19.99% and 8.76% respectively of the units in CUA. CUA changed its name in January 2017 from 360 Capital Office Fund when as part of a broader transaction Centuria Capital acquired 360 Capital Investment Limited, the RE of the fund. 360 Capital Investment Limited was renamed CPF2L in January 2017.

6 Excludes 14 Mars Road, Lane Cove, NSW which has recently been sold.

7 Although a trust scheme in some ways resembles a company scheme of arrangement, listed managed investment schemes (like CUA) cannot be the subject of a company scheme of arrangement under Part 5.1 of the Corporations Act. It should also be noted that there is no specific statutory mechanism for the implementation of a trust scheme, and unlike a Part 5.1 scheme of arrangement, a trust scheme is not supervised in the same way by the courts or ASIC.

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10 Accordingly, the Independent Directors of CPF2L have requested Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in our opinion, the Trust Scheme is fair and reasonable and in the best interests of the Non-Associated CUA Unitholders and the reasons for that opinion.

11 LEA is independent of CUA, CMA and the Centuria Capital Group[8] and has no other involvement or interest in the proposed Trust Scheme.

Summary of opinion

12 In our opinion, the Trust Scheme is fair and reasonable and in the best interests of Non-Associated CUA Unitholders, in the absence of a superior proposal.

13 We have formed this opinion for the following reasons.

Value of CUA (on a 100% controlling interest basis)

14 As set out in Section VI, we have assessed the value of CUA on a 100% controlling interest basis at between $2.10 and $2.31 per unit.

Value of Scheme Consideration

15 If the Trust Scheme is approved and implemented, CUA unitholders will receive 0.88 CMA securities and $0.23 cash per CUA unit they hold on the Scheme Record Date. We have assessed the value of the Scheme Consideration to be between $2.21 to $2.34 per CUA unit, comprising:

(a) a scrip component of $1.98 to $2.11 per CUA unit based upon an exchange ratio of 0.88 times and an assessed realisable value for CMA securities on a post-transaction basis of between $2.25 to $2.40 per security; and

(b) a cash component of $0.23 per CMA unit.

16 However, CUA unitholders should note that the listed market price of CMA securities is subject to daily fluctuation and, accordingly, the price at which CMA securities may be sold (in the short-term) may therefore be greater or less than our assessed realisable value range. CUA unitholders should also note that it is not possible to accurately predict future security price movements and any decision to continue to hold CMA securities beyond the immediate to short-term is a separate investment decision which should be made by CUA unitholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. CUA unitholders should therefore seek independent professional advice specific to their individual circumstances if required.

Assessment of fairness

17 Pursuant to ASIC Regulatory Guide 111 – *Content of expert reports* (RG 111)[9], the Trust Scheme is "fair" if the value of the Scheme Consideration is equal to, or greater than the value of the securities the subject of the Trust Scheme. This comparison is shown below:

8 Centuria Capital Group comprises Centuria Capital and its subsidiaries and Centuria Capital Fund and its subsidiaries.

9 Which outlines the approaches that should be used in IERs when opining on public company transactions.

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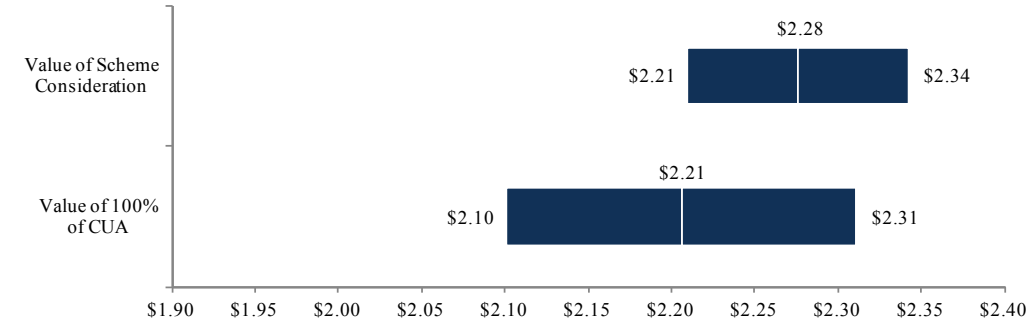
Assessment of fairness(1)



Note:
1 The white line positioned at the middle of our valuation range signifies the mid-point.

18 As the Scheme Consideration offered by CMA is consistent with and toward the higher end of our assessed value of 100% of the units in CUA, in our opinion, the Scheme Consideration is fair to CUA unitholders when assessed in accordance with the guidelines set out in RG 111.

Assessment of reasonableness

19 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Trust Scheme is "fair and reasonable" it must also be "in the best interests" of Non-Associated CUA Unitholders.

20 Consequently, in our opinion, the Trust Scheme is also "reasonable" and "in the best interests" of Non-Associated CUA Unitholders, in the absence of a superior proposal.

Advantages and disadvantages

21 We summarise below the likely advantages and disadvantages for Non-Associated CUA Unitholders if the Trust Scheme proceeds:

Advantages

(a) our assessed value of the Scheme Consideration of $2.21 to $2.34 per unit is consistent with and toward the high end of our assessed value range for CUA units on a 100% controlling interest basis (and is consistent with the $2.25 per unit cash consideration paid by CMA and Centuria Capital for their combined 28.8% interest in CUA in January 2017)

(b) if the Trust Scheme is approved and implemented, CUA unitholders will hold securities in a much larger, more geographically diverse office property focussed REIT that has lower single building and tenant concentration risk and enhanced earnings and distributions. CMA (on a post-transaction basis) is also likely to have greater trading depth and liquidity than that currently experienced by CUA unitholders

(c) CUA unitholders retain the opportunity to realise a control premium through a change of control transaction involving CMA (i.e. on a post-transaction basis) at some time in the future. That said, control premiums paid for REITs are not generally large and there can be no assurance that such an opportunity will arise

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Disadvantages

(d) CMA's pro-forma gearing (i.e. on a post-transaction basis) is higher than that which CUA unitholders are currently exposed (30.2% versus 18.6%). However, the pro-forma level remains within CMA's target gearing range of 25% to 35%

(e) some CUA unitholders may not want to acquire an economic exposure to the CMA property portfolio. However, these CUA unitholders will have an opportunity to sell their units either prior to or post the implementation of the Trust Scheme. In that context, we note that CUA units have traded at prices which are consistent with those that prevailed immediately prior to the announcement of the Trust Scheme.

22 Given the above analysis, we consider the acquisition of CUA units under the Trust Scheme is fair and reasonable and in the best interests of Non-Associated CUA Unitholders, in the absence of a superior proposal.

Other matters

23 CUA unitholders should note that on a post-transaction equivalent basis they will increase their exposure to unrealised capital gains on underlying properties[10]. However, the future tax impost on CUA unitholders of the trust selling the underlying properties depends on a number of factors, including the date of sale and the number of properties that are sold (noting that CPFL has no present intention to sell any of the CMA investment properties in the short-term[11]), whether CUA unitholders continue to hold an interest in CMA at the time the property / properties are sold and the individual unitholder's tax position at that time.

24 Any decision to continue to hold CMA securities beyond the immediate to short-term is a separate investment decision which should be made by CUA unitholders having regard to, amongst other things, the taxation implications that will arise following completion of the Trust Scheme.

General

25 In preparing this report we have considered the interests of CUA unitholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual unitholders.

26 The impact of approving the Trust Scheme on the tax position of CUA unitholders depends on the individual circumstances of each investor. CUA unitholders should read Section 11 of the Notice of Meeting and Explanatory Memorandum and consult their own professional advisers if in doubt as to the taxation consequences of the Trust Scheme.

27 The ultimate decision whether to approve the Trust Scheme should be based on each CUA unitholder's assessment of their own circumstances. If CUA unitholders are in doubt about the action they should take in relation to the Trust Scheme or matters dealt with in this report, unitholders should seek independent professional advice.

10 This is because as at 31 December 2016, CMA (excluding 14 Mars Road, Lane Cove, NSW) had a larger proportion of unrealised capital gains than CUA on a per security / unit basis.

11 We note that the settlement of the sale of 14 Mars Road, Lane Cove, NSW occurred on 31 March 2017 and the capital gain (net of available capital losses) on sale will be included in CMA's June quarter distribution which will be paid to CMA unitholders prior to the implementation of the Trust Scheme.

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28 For our full opinion on the Trust Scheme and the reasoning behind our opinion, we recommend that CUA unitholders read the remainder of our report.

Yours faithfully

Nathan Toscan
Authorised Representative

Julie Planinic
Authorised Representative

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A **Financial Services Guide**

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I Key terms of the Trust Scheme

Terms

29 On 3 March 2017, Centuria Property Funds No. 2 Limited (CPF2L) as RE of Centuria Urban REIT (CUA) announced that it and Centuria Property Funds Limited (CPFL) as RE of Centuria Metropolitan REIT (CMA) had signed a Scheme Implementation Agreement (the Agreement). The Agreement was subsequently amended on 21 April 2017[12]. Under the Agreement, CMA will acquire all of the issued units in CUA that it does not own.

30 The proposed acquisition of the units is to be implemented by way of a trust scheme between CUA and its unitholders, other than CMA (the Trust Scheme). The Trust Scheme is conditional upon CMA unitholders approving the acquisition of the units in CUA held by Centuria Capital[13]. It is also subject to a number of other conditions precedent and must be approved by the requisite majority of CUA unitholders, other than CMA and its associates (the Non-Associated CUA Unitholders) in order to proceed.

31 If the Trust Scheme is approved and implemented, CUA unitholders will receive 0.88 CMA units and $0.23 cash for each CUA unit they hold on the Scheme Record Date[14] (Scheme Consideration). CUA and CMA are both permitted to declare and pay fourth quarter (i.e. June quarter) distributions to their respective unitholders of not more than 3.75 cents and 4.375 cents per unit respectively[15].

Conditions

32 The Trust Scheme is subject to the satisfaction of a number of conditions precedent, which are outlined in the Agreement between CPF2L as RE of CUA and CPFL as RE of CMA as amended on 21 April 2017, including:

(a) CMA unitholders approving the acquisition of the units in CUA held by Centuria Capital[16]

(b) CUA unitholders approving the Scheme Resolutions (see paragraph 36 below) at the Scheme meeting by the requisite majorities

(c) the independent expert issues a report which concludes the Trust Scheme is in the best interests of the Non-Associated CUA Unitholders

(d) no Prescribed Occurrences[17] occurring between the date of the Agreement and 8.00 am on the Effective Date

(e) no Material Adverse Changes[18] occurring between the date of the Agreement and 8.00 am on the Effective Date

12 The amendments predominately related to the insertion of an additional condition and changes to the timetable.

13 Centuria Capital currently holds 19.99% of the CUA units on issue.

14 The Scheme Record Date is presently expected to be 7:00 pm on the fifth business day after the Trust Scheme becomes effective (i.e. 22 June 2017).

15 Pursuant to the Agreement, these distributions will be paid the earlier of one day immediately prior to the Implementation Date (currently expected to be 29 June 2017) and 30 June 2017.

16 Centuria Capital currently holds 19.99% of the CUA units on issue.

17 Prescribed Occurrences are detailed in Schedules 2 and 3 of the Agreement.

18 As defined in Clause 1.1 of the Agreement.

(f) the CPF2L independent directors unanimously recommend that CUA unitholders approve the Scheme Resolutions.

33 In addition CUA has agreed that during the Exclusivity Period[19] it will not:

(a) solicit, invite, encourage or initiate any competing transaction

(b) participate in any discussions or negotiations which may reasonably be expected to lead to a competing transaction

(c) enter into any agreement, arrangement or understanding in relation to a competing transaction or any agreement, arrangement or understanding which may reasonably be expected to lead to the completion of a competing transaction

(d) provide any information to a third party for the purposes of enabling that party to table a competing transaction.

34 The exclusivity obligations in paragraph 33(b) above do not apply if CPF2L as RE of CUA has complied with the various obligations set out in the Agreement and the CPF2L Independent Board Committee determines, based on written advice from its legal advisers, that compliance with exclusivity obligations would involve a breach of fiduciary duties or would otherwise be unlawful.

35 A reimbursement of costs incurred by the target or bidder of up to $0.5 million is payable in certain circumstances as specified in clauses 11.1 and 11.2 of the Agreement).

Scheme Resolutions

36 Non-Associated CUA Unitholders will be asked to vote on the Trust Scheme in accordance with the resolutions contained in the Notice of Meeting and Explanatory Memorandum (together, the Scheme Resolutions):

(a) an ordinary resolution (i.e. majority of votes cast) to approve for the purposes of s611(7) of the Corporations Act, CMA (including its associates) increasing its (28.8%) relevant interest in CUA

(b) a special resolution (i.e. at least 75% of the votes cast) for the purposes of s601GC(1) of the Corporations Act to approve amendments to CUA's Constitution in order to facilitate the implementation of the Trust Scheme.

[19] Being the earliest of:
(a) the termination of the Agreement
(b) the End Date (31 July 2017 or such later date agreed by the parties)
(c) the Effective Date (i.e. the date on which the Trust Scheme becomes effective).

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II Scope of our report

Purpose

Overview

37 The proposed acquisition by CMA of all the issued units in CUA (that it does not already own), is to be implemented by way of what is known as a transfer trust scheme. The Trust Scheme will require CUA unitholders to pass two resolutions:

(a) an ordinary resolution (i.e. majority of votes cast) to approve for the purposes of s611(7) of the Corporations Act, CMA (including its associates) increasing its (28.8%) relevant interest in CUA

(b) a special resolution (i.e. at least 75% of the votes cast) for the purposes of s601GC of the Corporations Act to approve amendments to CUA's Constitution in order to facilitate the implementation of the Trust Scheme.

38 Although a trust scheme in some ways resembles a company scheme of arrangement, listed managed investment schemes (like CUA) cannot be the subject of a company scheme of arrangement under Part 5.1 of the Corporations Act. It should also be noted that there is no specific statutory mechanism for the implementation of a trust scheme, and unlike a Part 5.1 scheme of arrangement, a trust scheme is not supervised in the same way by the courts or ASIC. Rather, the mechanisms used to implement a trust scheme are governed by the Corporations Act provisions (e.g. s611(7)), Takeovers Panel guidance and general trust law.

Corporations Act

39 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies. Section 604 of the Corporations Act extends the s606 prohibition to managed investment schemes.

40 A permissible exception to the s606 prohibition is set out in s611(7), whereby such an acquisition is allowed when it is approved by a majority of securityholders at a general meeting and no votes are cast by the proposed acquirer, vendor or any of their respective associates. Transfer trust schemes cannot be implemented without a vote under s611(7), which must be modified by ASIC in order to enable the vendors not associated with the acquirer to vote on the scheme.

41 The Corporations Act requires securityholders approving a s611(7) resolution to be provided with all material information in relation to the proposed transaction. ASIC requires an entity to commission an IER or, if it has the expertise, a director's report to the same standard, in order to discharge the information disclosure requirements imposed upon it by the Corporations Act.

Takeovers Panel

42 The Takeovers Panel has assumed jurisdiction of disputes involving trust schemes and considers that the principles in s602 of the Corporations Act and the other policies and protections of Chapter 6 (which concern takeovers) should apply to trust schemes.

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43 TPGN 15 sets out the Takeover Panel's approach to supervising trust schemes. TPGN 15 requires the Notice of Meeting and Explanatory Memorandum to contain a report by an independent expert. This mandatory requirement is supported by usual practice, the absence of judicial and/or ASIC scrutiny, and the fact that every trust scheme is recommended by the RE of the target even though it has an interest because its management rights are affected.

44 The expert report should state:

(a) whether, in the expert's opinion, the terms of the trust scheme are fair and reasonable to the holders of the target other than the acquirer and its associates

(b) the expert's reason for forming that opinion (taking into account acquisitions by the acquirer and its associates in the past four months)

(c) the particulars required by s648A(3) of the Corporations Act (which deals with independence).

Conditions precedent to the Trust Scheme

45 The Trust Scheme is subject to a number of conditions precedent, including an independent expert concluding that the Trust Scheme is in the best interests of the unitholders in CUA, other than Non-Associated CUA Unitholders.

Our engagement

46 Given the above, the Independent Directors of CPF2L as RE of CUA have requested LEA to prepare an IER stating whether the proposed acquisition of the units in CUA by CMA under the Trust Scheme is fair and reasonable and in the best interests of Non-Associated CUA Unitholders and the reasons for that opinion.

47 This report has been prepared by LEA for the benefit of Non-Associated CUA Unitholders to assist them in considering the resolutions to approve the Trust Scheme. Our report will accompany the Notice of Meeting and Explanatory Memorandum to be sent to CUA unitholders. The sole purpose of our report is to determine whether, in our opinion, the Trust Scheme is fair and reasonable and in the best interests of Non-Associated CUA Unitholders. This report should not be used for any other purpose.

48 The ultimate decision whether to approve the Trust Scheme should be based on each CUA unitholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Trust Scheme or matters dealt with in this report, unitholders should seek independent professional advice.

Basis of assessment

49 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111, which outlines the approaches that should be used in IERs when opining on public company transactions.

50 We have also had regard to TPGN 15, which requires us to form a view as to whether the Trust Scheme is fair and reasonable to the Non-Associated CUA Unitholders. TPGN 15 does not define fair and reasonable but does state that the takeover provisions (i.e. Chapter 6) of the Corporations Act apply to trust schemes.

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51 In the context of a control transaction such as a takeover offer (or a Part 5.1 scheme of arrangement), RG 111 distinguishes "fair" from "reasonable" and considers:

(a) an offer to be "fair" if the value of the consideration (in this instance minority interest units in CMA on a post-transaction basis) is equal to or greater than the value of the securities that are the subject of the offer (in this case, units in CUA). A comparison must be made assuming 100% ownership of the target company

(b) an offer to be "reasonable" if it is fair. An offer may also be "reasonable" if, despite not being "fair" but after considering other significant factors, there are sufficient reasons for securityholders to accept / approve the offer in the absence of a superior proposal.

52 There is no legal definition of the expression "in the best interests". However, RG 111 states that a Part 5.1 members' scheme of arrangement may be *"in the best interests of the members of the company"* if there are sufficient reasons for securityholders to vote in favour of the scheme in the absence of a higher offer.

53 In our opinion, if the Trust Scheme is "fair" and "reasonable" under RG 111 it must also be "in the best interests" of Non-Associated CUA Unitholders.

54 Our report has therefore considered:

Fairness

(a) the market value of the units in CUA (on a 100% controlling interest basis)

(b) the value of the consideration offered by CMA (being minority interest units in CMA on a post-transaction basis)

(c) the extent to which (a) and (b) differ (in order to assess whether the Trust Scheme is fair under RG 111)

Reasonableness

(d) the extent to which a control premium is being paid to CUA unitholders

(e) the value of the consideration offered by CMA relative to the consideration it paid for the 8.76% interest it acquired in CUA in January 2017

(f) the extent to which CUA unitholders are being paid a share of the synergies likely to be generated pursuant to the potential transaction

(g) the listed market price of CUA units, both prior to and subsequent to the announcement of the proposed Trust Scheme

(h) the likely market price of CUA units if the proposed Trust Scheme is not approved

(i) the value of CUA to an alternative offeror and the likelihood of a higher alternative offer being made for CUA prior to the date of the Trust Scheme meeting

(j) the advantages and disadvantages of the Trust Scheme from the perspective of the Non-Associated CUA Unitholders

(k) other qualitative and strategic issues associated with the Trust Scheme.

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Limitations and reliance on information

55 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

56 Our report is also based upon financial and other information provided by CUA and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

57 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Trust Scheme from the perspective of CUA unitholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

58 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.

59 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

60 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

61 For the purposes of forming our view on the value of the Scheme Consideration, we have had primary regard to the listed market price of CMA securities (an approach consistent with scrip-based transactions). LEA has not undertaken any valuation of the properties owned by CMA. LEA notes that the adopted carrying values of the CMA properties for financial reporting purposes, with the exception of one independently valued property, reflect

Directors' valuations. LEA has undertaken a review[20] of the Directors' property revaluation policy and a sample of the Directors' valuations and notes that:

(a) the Directors' valuations use the most recent independent valuations as a basis

(b) adjustments to the inputs used in independent property valuations have been made to reflect CPFL's view of current market conditions and/or changes in forecasts such as letting up-periods, lease incentives etc.

(c) the internal valuation assessments are reviewed by CMA's auditors and the Audit Committee.

62 In forming our opinion, we have also assumed that:

(a) the information set out in the Notice of Meeting and Explanatory Memorandum is complete, accurate and fairly presented in all material respects

(b) if the Trust Scheme becomes legally effective, it will be implemented in accordance with the terms set out in the Agreement and the Notice of Meeting and Explanatory Memorandum.

20 This review does not constitute any form of audit or due diligence investigation by LEA and should not be interpreted as such.

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III Profile of CUA

Overview

63 CUA is an externally managed REIT that listed on the ASX on 24 April 2014. The trust's name changed from 360 Capital Office Fund on 20 January 2017 when the RE was acquired by Centuria Capital Group. CUA focuses on acquiring Australian located A-grade suburban and B-grade CBD office properties in the $30 million to $100 million range, with a focus on yield and security of income. Its current portfolio consists of three A-grade suburban offices properties (two in Brisbane and one in Melbourne). It does not invest offshore and is not exposed to development risk.

64 The RE of CUA is CPF2L[21], a wholly owned subsidiary of Centuria Capital. Centuria Capital Group is the largest unitholder in CUA with a holding of 28.8%[22].

65 The RE is entitled to a management fee which is calculated as 0.65% of the gross asset value during the relevant year, but is currently electing to charge 0.60% per annum. This fee is payable quarterly in arrears. Custodian fees are also paid to CPF2L at a rate of 0.05% of gross assets. The RE is also entitled to reimbursement for reasonable expenses incurred in the operating the fund.

66 A summary of the key statistics of CUA is set out below:

CUA – key statistics

Fund commencement date	November 2003
RE	CPF2L
Custodian	CPF2L
Interest held by Centuria Capital Group	28.8%(1)
Number of properties held	3
Gross assets as at 31 December 2016 ($m)	213.3
Gross rental (12 months to 31 December 2016) ($m)	17.7
Distributions	Paid quarterly
FY15 and FY16 distributions (cpu(2))	17
HY17 distributions	8.5
FY17 distribution guidance (cpu)	16

Note:
1 The interest is held 19.99% by Centuria Capital (a wholly owned member of Centuria Capital Group) and 8.76% by CMA.
2 Cents per unit (cpu).
Source: CUA Annual Report 2016, HY17 Interim Financial Report and associated ASX releases.

Portfolio overview

67 A summary of CUA's three properties is set out below:

21 Previously named 360 Capital Investment Limited and renamed Centuria Property Funds No. 2 Limited after it was acquired by Centuria Capital in January 2017.
22 The interest is held by Centuria Capital (19.99%) and CMA (8.76%).

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CUA – portfolio overview	Valuation $m	NLA[1] sqm	Occupancy %	WALE[2] Years	Cap rate %
485 Kingsford Smith Drive, Hamilton Harbour, QLD	74.4[3]	9,322	98.0	6.9	7.00
154 Melbourne Street, South Brisbane, QLD	77.5[4]	11,301	100.0	2.3	7.00
576 Swan Street, Richmond, VIC	58.5[4]	8,331	100.0	5.2	6.50
Total / weighted average	210.4	28,954	99.2	4.6	6.86

Note:
1 Net lettable area (NLA).
2 Weighted average lease expiry (WALE) by NLA as at 31 December 2016.
3 Latest external valuation as at 26 April 2016.
4 Latest external valuation as at 31 December 2016.
Source: CUA Annual Report 2016 and HY17 Interim Financial Report.

68 CUA's properties are tenanted by a mix of listed companies, national and multi-national companies, government bodies and other entities.

69 The top tenants of the fund based on gross income as at 31 December 2016 were as follows:

CUA – top 10 tenants		
Tenant	**Industry**	**% of gross passing rent**
Department Housing & Public Works (QCAA)	Government	14.9
GE Capital Finance Australasia	Financial services	14.9
Department Housing & Public Works (DOJ)	Government	11.9
Domino's Pizza Ltd	Fast food	10.1
Forever New Clothing Pty Ltd	Consumer retail	9.6
Devine Ltd	Property development	9.3
SMEC Australia Pty Ltd	Engineering	8.2
Frasers Property Limited	Real estate	4.8
Collins Restaurants Management Pty Ltd	Fast food	4.7
Woolworths Ltd	Consumer retail	3.5
Total		**91.9**

Source: CUA HY17 Interim Results Presentation.

70 The lease expiry of the fund is as follows:

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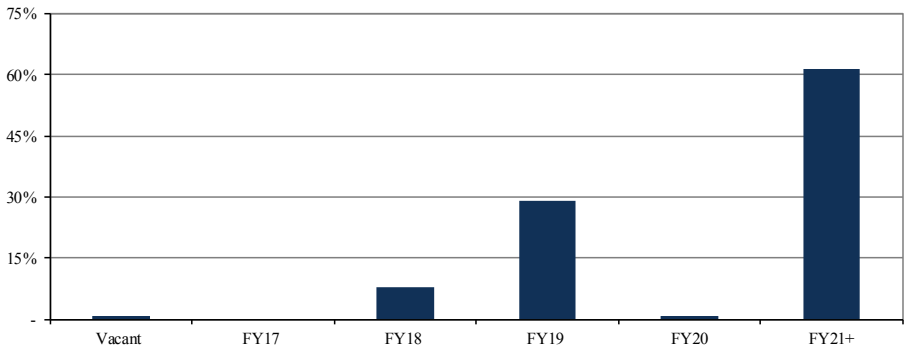
CUA – lease expiry profile[1]



Note:
1 By NLA as at 31 December 2016.
Source: Notice of Meeting and Explanatory Memorandum (paragraph 6.2).

71 A summary of the leases expiring in FY17 and FY18 are as follows:

CUA – lease expiries FY17 and FY18[1][2]

Tenant	Address	Area sqm	Income $m	Total income %	Expiry
SMEC Australia	154 Melbourne Street, South Brisbane, QLD	2,180	1.4	8.7	Oct 17

Note:
1 Excludes minor retail tenants.
2 There are no FY17 lease expiries.
Source: CUA HY17 Interim Results Presentation, Independent property valuation as at 31 December 2016.

Statement of financial performance

72 The financial performance of CUA for the two years ended 30 June 2016 and the half year ended 31 December 2016 (HY17) is summarised below:

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CUA – financial performance[1]	FY15 Audited $000	FY16 Audited $000	HY17 Reviewed $000
Rental income	20,624	19,748	8,924
Investment property expenses	(3,729)	(3,396)	(1,554)
Net property income	**16,895**	**16,352**	**7,370**
Management fees	(1,486)	(1,452)	(704)
Administrative expenses	(1,317)	(403)	(169)
EBIT[2]	**14,092**	**14,497**	**6,497**
Finance costs	(2,792)	(2,605)	(1,136)
Finance revenue	119	65	19
Changes in fair value of properties	5,569	11,750	2,596
Changes in fair value of derivative financial instruments	(1,149)	(1,912)	1,468
Net loss on sale of properties	(1,023)	(1,321)	-
Changes in fair value of rental guarantee	(2,414)	(36)	81
Transaction costs and unitholder voting expenses	-	-	(662)
Loss on termination of derivative financial instruments	-	-	(1,052)
Net profit attributable to unitholders	**12,402**	**20,438**	**7,811**
Adjustment for specific non-cash items[3]	(260)	(8,704)	(3,732)
Adjustment for significant items[3]	1,823	1,455	1,714
Operating profit (before non-cash and significant items)	**13,965**	**13,189**	**5,793**
Distributions to unitholders	**12,816**	**12,458**	**6,229**
Number of properties at the start of the year / half year	4	4	3
Number of properties sold	1	1	3
Number of properties purchased	1	-	-
Number of properties at the end of the year / half year	**4**	**3**	**3**
Earnings per unit (cents)	*16.4*	*27.9*	*10.7*
Operating profit per unit (cents)	*18.5*	*18.0*	*7.9*
Distribution per unit (cents)	*17.0*	*17.0*	*8.5*

Note:
1 Rounding differences may exist.
2 Earnings before interest and tax (EBIT).
3 Adjustments include add-backs for amortisation of incentives and leasing fees, fair value adjustments on properties and derivatives, loss on sale of properties, amortisation of borrowing costs, straight-lining of lease revenue, investment transaction costs and outstanding duty. These are more comprehensively outlined in Note 3 of CUA's FY16 Annual Report and HY17 Interim Financial Report.

Source: CUA FY16 Annual Report and HY17 Interim Financial Report.

73 In relation to the FY16 financial performance, we note the following:

(a) rental revenue and property expenses decreased as a result of the disposal of 33 Allara Street, Canberra, ACT (sold in November 2015)

(b) management fees and finance costs also decreased as a result of the sale

(c) a loss of $1.3 million was recognised with respect to the sale of 33 Allara Street, Canberra, ACT

(d) a gain on the revaluation of 485 Kingsford Smith Drive, Hamilton Harbour QLD and 576 Swan Street, Richmond, VIC was recognised on adopting values derived from independent property valuations undertaken in April 2016 and May 2016 respectively

(e) a loss of $1.9 million was recognised with respect to the derivative financial instruments used by the fund to hedge interest rate risk with respect to its borrowings.

74 In relation to the HY17 financial performance, we note the following:

(a) net property income was $7.4 million compared to the prior corresponding period of $8.9 million, implying that net property income of $14.8 million was generated in the 12 months ended 31 December 2016

(b) management fees of $0.7 million were incurred, reduced from $0.8 million during the prior corresponding period, implying that management fees of $1.4 million were incurred in the 12 months ended 31 December 2016

(c) administrative expenses of $0.2 million were incurred, reduced from $0.3 million during the prior corresponding period, implying that administrative expenses of $0.3 million were incurred in the 12 months ended 31 December 2016

(d) a gain on revaluation of 576 Swan Street, Richmond, VIC of some $2.5 million was recognised on adoption of the values derived from an independent property valuation undertaken in December 2016

(e) transaction costs and unitholders voting expenses with respect to the acquisition of the 28.8% unitholding by Centuria Capital Group and other fund activity were some $0.7 million

(f) a gain of $1.5 million was recognised with respect to the fair value of derivative financial instruments used by the fund to hedge interest rate risk with respect to its borrowings. A loss of $1.1 million was recognised with respect to the termination of these derivative financial instruments.

75 CUA's policy is to distribute between 90% and 100% of operating profit (before non-cash and significant items)[23] and the distributions for FY15 and FY16 were consistent with this policy. Distributions for 1HY17 (i.e. the six months to 31 December 2016) were 8.5 cpu. The FY17 full year base case guidance for distributions is 16.0 cpu.

Statement of financial position

76 The financial position of CUA as at 30 June 2016 and 31 December 2016 is set out below:

23 Source: CUA.

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CUA – statement of financial position[1]	30 Jun 16 Audited $000	31 Dec 16 Reviewed $000
Cash and cash equivalents	2,590	2,251
Trade and other receivables	489	639
Investment properties[2]	207,900	210,400
Total assets	**210,979**	**213,290**
Trade and other payables	1,507	1,760
Distributions payable	3,114	3,114
Interest bearing liabilities	39,445	41,389
Derivative financial instruments	2,107	639
Total liabilities	**46,173**	**46,902**
Net assets	**164,806**	**166,388**
Units on issue (000s)	*73,280*	*73,280*
Net tangible assets (NTA) per unit ($)	*2.25*	*2.27*
Gearing (net debt[3] / total assets less cash)[3]	*17.8%*	*18.6%*

Note:
1 Rounding differences may exist.
2 Including the present value of the rental guarantee (refer to paragraph 77(a)).
3 Before allowance for capitalised borrowing costs of $0.378 and $0.240 million as at 30 June 2016 and 31 December 2016 respectively.
Source: CUA FY16 Annual Report and HY17 Interim Financial Report.

77 In relation to the financial position, we note the following:

(a) **investment properties and rental guarantee** – the investment properties are carried at values derived from the independent valuations as summarised in paragraph 67. The property values adopted by the directors from the independent valuations are split between property values and an underlying lease guarantee under an agreement with the vendor of 485 Kingsford Smith Drive, Hamilton Harbour QLD

(b) **distributions payable** – for FY16 and HY17 distributions payable comprise accrued distributions for the fourth quarter of FY16 and the second quarter of FY17 respectively, that had been declared but not yet paid out in cash to unitholders. The distributions of 4.25 cpu were paid on 26 July 2016 and 25 January 2017

(c) **interest bearing liabilities** – as at 31 December 2016, CUA had debt facilities totalling $80.0 million which were drawn to $41.5 million, representing a loan to value ratio (LVR) of 19.7%[24] which complied with the bank covenant of less than 50.0%[25]. The interest cover ratio was calculated to be 6.8 times which complied with the respective bank covenant of no less than 2.0 times

(d) **borrowings** – borrowings of $39.4 million and $41.5 disclosed in the 30 June 2016 and 31 December 2016 statement of financial position respectively are net of $0.2 million and $0.1 million of capitalised borrowing costs

24 Based on the latest external valuation of the property portfolio at $210.4 million.
25 The LVR is calculated as the amount of debt drawn under the trust's debt facility divided by the value of the assets that the debt is secured against.

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(e) **derivative financial instruments** – CUA uses derivative financial instruments to hedge interest rate risk with respect to its borrowings. As at 30 June 2016, 102% of CUA's debt was hedged ($40 million), with an average hedge rate of 2.64% and an average hedge term of 3.6 years. As at 31 December 2016, 96% of CUA's debt was hedged ($39.8 million).

Capital structure and ownership

78 As at the date of this report, CUA had 73.280 million ordinary units on issue. The units are reasonably tightly held with the top 20 unitholders accounting for approximately 73% of the total units on issue[26] as at 2 May 2017 (with the majority of the units held by four substantial unitholders[27]).

79 As at the date of this report, Centuria Capital Group held 21.072 million units[28] or 28.8% of units on issue. The three other substantial unitholders (based upon substantial unitholder notices released to the ASX) were Ellerston Capital Limited with 6.170 million[29] units (8.4%), First Samuel Limited with 5.867 million[30] units (8.0%) and Salt Funds Management Limited with 4.619 million[31] units (6.3%).

Unit price performance

80 The following chart illustrates the movement in the share price of CUA from 1 July 2015 to 2 March 2017[32]:

26 Source: CUA.
27 Being unitholders in CUA that have a relevant interest of 5% or more.
28 The interest is held by Centuria Capital (a wholly owned member of Centuria Capital Group) as well as CMA.
29 Source: CUA change in substantial interest notice dated 13 December 2016.
30 Source: CUA change in substantial interest notice dated 20 February 2017.
31 Source: CUA change in substantial interest notice dated 1 March 2017.
32 Being the last day of trading prior to the announcement of the Trust Scheme.

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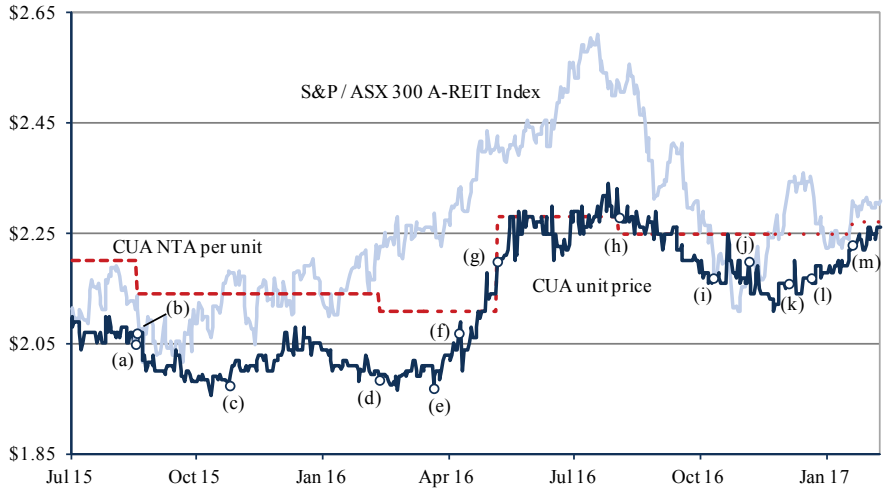
CUA – unit price history[1]
1 July 2015 to 2 March 2017



Note:
1 Based on closing prices. The S&P / ASX 300 A-REIT Index has been rebased to CUA's last traded price on 1 July 2015 ($2.10).
Source: Bloomberg and CUA ASX announcements.

81 Since 1 July 2015, CUA has generally traded at a discount to its underlying NTA per unit and has performed largely in line with the S&P / ASX 300 A-REIT Index. Key market sensitive announcements during the period are as follows:

(a) **18 August 2015** – announced extension of Department of Environment lease at 33 Allara Street, Canberra, ACT for 12 months with a further option of 12 months

(b) **19 August 2015** – announced FY15 results, NTA per unit of $2.14

(c) **28 October 2015** – announced exchange of unconditional contracts for the sale of 33 Allara Street, Canberra, ACT for $29 million ($1 million below book value)

(d) **18 February 2016** – announced HY16 results, NTA of $2.11 per unit as well as the proposal to purchase 360 Capital Group's 44% stake in 111 St George's Terrace Property Trust (111 SGT) for $30.4 million

(e) **30 March 2016** – announced the decision to not proceed with the purchase of 360 Capital Group's 44% stake in 111 SGT

(f) **18 April 2016** – CPF2L announced that it considered CUA to be undervalued by the market and that it may undertake an on-market buy-back of up to 7.33 million units (10% of issued capital)

(g) **17 May 2016** – announced independent valuations of the funds two assets results in a $11.8 million increase on December 2015 book values. Pro-forma NTA of $2.28 per unit which was a $0.17 increase on the 31 December 2015 NTA of $2.11 per unit

(h) **17 August 2016** – announcement of FY16 results, NTA per unit of $2.25

(i) **27 October 2016** – speculation emerged in the financial press with respect to corporate activity between 360 Capital Group and Centuria Capital Group (and their related funds)

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(j) **23 November 2016** – 360 Capital Group announced that it had entered into a transaction to sell 360 Investment Limited (now CPF2L) and co-investments to Centuria Capital Group

(k) **23 December 2016** – announced that 20% of the portfolio's leases had been renewed

(l) **9 January 2017** – announced the settlement of the acquisition of 8.76% stake in CUA by CMA, the CPF2L sale to Centuria Capital Group and the majority disposal of the 360 Capital Group's funds management platform and co-investments to Centuria Capital Group

(m) **9 February 2017** – announcement of HY17 results, NTA per unit of $2.27.

Liquidity in CUA units

82 The liquidity in CUA units based on trading on the ASX over the 12 month period prior to the announcement of the Trust Scheme is set out below:

CUA – liquidity in units

Period	Start date	End date	No of units traded 000	WANOS(1) outstanding 000	Implied level of liquidity Period(2) %	Annual(3) %
1 month	3 Feb 17	2 Mar 17	1,121	73,280	1.5	18.4
3 months	3 Dec 16	2 Mar 17	3,022	73,280	4.1	16.5
6 months	3 Sep 16	2 Mar 17	7,341	73,280	10.0	20.0
1 year	3 Mar 16	2 Mar 17	19,613	73,280	26.8	26.8

Note:
1 Weighted average number of securities (WANOS) outstanding during relevant period.
2 Number of units traded during the period divided by WANOS.
3 Implied annualised figure based upon implied level of liquidity for the period.
Source: Bloomberg and LEA analysis.

83 Trading in CUA is relatively illiquid (even after allowing for the units held by Centuria Capital[33], Ellerston Capital Limited, First Samuel Limited and more recently Salt Funds Management Limited[34]), particularly in comparison to other ASX listed Office REITs. For example, implied annual liquidity in Investa Office Fund (Investa), Cromwell Property Group (Cromwell) and GDI Property Group[35] for the six months to 2 March 2017 was 96.8%, 59.1% and 33.3% respectively.

33 And 360 Capital Group before it.

34 Salt Funds Management Limited became a substantial shareholder on 25 November 2016 having acquired 5.28% of the units on issue.

35 Being the three largest ASX listed office A-REITs by market capitalisation as at 2 March 2017. We note that the implied annual liquidity of Investa and Cromwell for the six months prior to the announcement of the highly conditional, indicative non-binding cash offer received from Cromwell on 30 November 2016 was 91.1% and 72.2% respectively.

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IV Profile of CMA

Overview

84 CMA is an externally managed REIT that listed on the ASX on 10 December 2014. CMA focuses on acquiring office and industrial properties in metropolitan markets across Australia that deliver stable and predictable rental income with opportunity for capital growth. Its current portfolio comprises 12 properties; 10 office and two industrial properties[36] geographically diversified across Sydney, Brisbane, Canberra and Adelaide.

85 The RE of CMA is CPFL, a wholly owned member of Centuria Capital Group[37]. CPFL manages $2.9 billion of real estate assets across 17 unlisted property funds and three listed funds. Centuria Capital Group is an ASX listed specialist investment manager with $3.6 billion in funds under management[38].

86 The RE is entitled to a management fee which is calculated at 0.55% per annum of the gross asset value. This fee is paid monthly in arrears[39]. Other fees charged by the RE include a property / facilities management fee, leasing fees and development fees. The custodian to the fund is Australian Executor Trustees Limited.

87 On 23 November 2016, CMA announced that it had contracted with 360 Capital Investment Management Limited to acquire a strategic interest of 6.423 million units (or 8.76% of the total units on issue) in the 360 Capital Office Fund (the fund was subsequently renamed to CUA) at a price of $2.25 per unit[40]. All conditions of the contract were satisfied by 30 December 2016, and the transaction was settled on 9 January 2017.

88 On 15 March 2017 CMA's stapled trust scheme structure was simplified with securities in each of the Centuria Metropolitan REIT No. 1 (CMR1) and Centuria Metropolitan REIT No. 2 (CMR2) managed investment schemes being de-stapled (Simplification Proposal). CMA securityholders now only own a direct interest in CMR1. The simplification was undertaken to provide benefits to securityholders including (inter alia) simplified financial reporting requirements and distributions, ongoing cost savings and a reduction in costs associated with future acquisitions (including the Trust Scheme).

89 A summary of the key statistics of CMA is set out below:

36 Excludes 14 Mars Road, Lane Cove, NSW which has recently been sold.

37 Centuria Capital Group comprises Centuria Capital and its subsidiaries and Centuria Capital Fund and its subsidiaries.

38 Source: Centuria Capital Group website.

39 Source: CMA Product Disclosure Statement (PDS), dated 11 November 2014.

40 Concurrently, Centuria Capital also acquired 14.649 million units (or 19.99% of the total units on issue) in the 360 Capital Office Fund.

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CMA – key statistics	
Fund commencement date	2005
RE	CPFL
Custodian	Australian Executor Trustees Limited
Interest held by Centuria Capital Group	16.2%(1)
Number of properties held(2)	12.0
Gross assets as at 31 December 2016 ($m)	440.6
Gross rental (12 months to 31 December 2016) ($m)	38.7
Distributions	Paid quarterly
HY17 distribution (cpu)	8.75
Forecast FY17 distribution (cpu)	17.5

Note:
1 The interest is by various entities that form part of or are associated with the Centuria Capital Group.
2 Excludes 14 Mars Road, Lane Cove, NSW which has recently been sold.
Source: CMA Annual Report 2016 and HY17 Interim Report.

Portfolio overview

90 A summary of CMA's properties is set out below:

CMA – property portfolio overview		Valuation $m(1)	NLA sqm	Occupancy %(2)	WALE(3) years	Cap rate %
Office						
9 Help Street, Chatswood	NSW	62.2	9,400	100.0	2.6	6.75
203 Pacific Highway, St Leonards(4)(5)	NSW	47.5	11,734	100.0	4.0	7.00
3 Carlingford Road, Epping	NSW	27.0	4,702	100.0	2.3	6.25(6)
44 Hampden Road, Artarmon(5)	NSW	8.8	2,306	100.0	1.8	8.25
54 Marcus Clarke, Canberra	ACT	18.0	5,169	88.0	2.4	9.00
60 Marcus Clarke, Canberra	ACT	54.5	12,120	94.5	3.3	8.00
35 Robina Town Centre Drive, Robina	QLD	50.7	9,814	100.0	6.8	7.25
555 Coronation Drive, Brisbane	QLD	32.3	5,591	100.0	3.8	8.25(6)
1 Richmond Road, Keswick	SA	27.3	8,100	100.0	2.6	9.00
131 – 139 Grenfell Street, Adelaide	SA	19.5	4,052	100.0	2.9	8.50
Industrial						
13 Ferndell Street, Granville	NSW	18.2	15,302	100.0	3.3	7.75(6)
149 Kerry Road, Archerfield	QLD	25.5	13,774	100.0	8.0	7.25
Total / weighted average		391.5	102,064	98.7	4.1	7.57

Note:
1 Board approved internal valuations, with the exception of 9 Help Street, Chatswood, NSW which reflects an independent valuation undertaken in December 2016. Latest external valuations as at May 2016.
2 By NLA as at 31 December 2016.
3 WALE by income as at 31 December 2016.
4 CMA owns 50% of 203 Pacific Highway, St Leonards, NSW.
5 CMA holds a leasehold interest in 44 Hampden Road, Artarmon, NSW and 203 Pacific Highway, St Leonards, NSW.
6 The capitalisation rate adopted in the Board approved internal valuations is consistent with the capitalisation rate adopted in the May 2016 independent valuations.
Source: CMA HY17 Interim Report and HY17 Results Presentation.

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91 CMA's properties are tenanted by a mix of listed companies, national and multi-national companies, government bodies and other entities.

92 The top tenants of CMA by gross income as at 31 December 2016 were as follows:

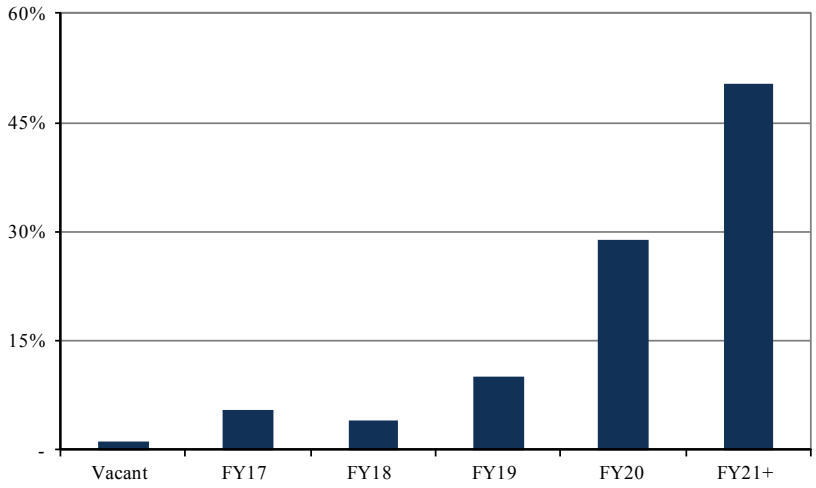
CMA – top 10 tenants

Tenant	Industry	% of gross income
Austar Entertainment	Telecommunications	10.7
Bluescope Steel	Materials	8.7
Minister for Infrastructure	Government	6.3
Cochlear	Healthcare	5.7
Minister for Transport and Infrastructure	Government	4.7
CSC Australia	Information Technology	4.6
Royal District Nursing Service	Healthcare	3.8
Primary Health Care	Healthcare	3.2
Cardno	Engineering	3.1
Verizon Australia	Telecommunications	2.7
Total		**53.5**

Source: CMA HY17 Results Presentation.

93 The lease expiry of CMA is as follows:

CMA – lease expiry profile(1)



Note
1 Based on NLA excluding 14 Mars Road, Lane Cove, NSW.
Source: CMA HY17 Results Presentation.

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94 Over the six months to 31 December 2016, CMA secured 22 lease transactions across a total 7,750 square metres (sqm), which was comprised of 14 new leases (4,640 sqm) and eight renewals (3,110 sqm). Out of the total lease transactions secured, 4,198 sqm related to 2017 financial year expiries[41].

Statement of financial performance

95 The financial performance of CMA for the two years ended 30 June 2016 and the half year ended 31 December 2017 (HY17) is summarised below:

CMA – financial performance[(1)]

	FY15 Audited $000	FY16 Audited $000	HY17 Reviewed $000
Rent and recoverable outgoings	18,757	39,536	20,120
Rates, taxes and other property outgoings	(4,105)	(8,153)	(4,074)
Net property income	**14,652**	**31,383**	**16,046**
Management fees	(953)	(1,985)	(1,138)
Professional fees	(318)	(657)	(369)
Other expenses	(136)	(366)	(479)
EBIT	**13,245**	**28,375**	**14,060**
Finance costs	(3,928)	(4,427)	(2,806)
Interest income	104	77	41
Changes in fair value of properties	(451)	23,246	14,966
Changes in fair value of investments	-	(113)	(731)
Gain / (loss) on fair value of derivative financial instruments	498	(2,373)	1,574
Non-recurring items[(2)]	(537)	-	-
Net profit attributable to stapled securityholders	**8,931**	**44,785**	**27,104**
Adjustments for non-cash and other items[(3)]	747	(22,830)	(16,174)
Operating profit (before non-cash and significant items)	**9,678**	**21,955**	**10,930**
Distributions to stapled securityholders	**9,616**	**20,299**	**10,448**
Number of properties at the start of the year	*5*	*12*	*13*
Number of properties purchased	*7*	*1*	*-*
Number of properties at the end of the year	***12***	***13***	***13***
Earnings per stapled security (cents)	*nm*	*37.5*	*22.7*
Distributable earnings per stapled security (cents)	*nm*	*18.4*	*9.2*
Distribution per stapled security (cents)	*nm*	*17.0*	*8.8*

Note:
1 Rounding differences may exist.
2 Non-recurring items include initial public offer (IPO) costs net of incentive fees waived.
3 Adjustments include add-backs for amortisation of incentives and leasing fees, fair value adjustments on properties, derivatives and investments, straight-lining of lease revenue. These are more comprehensively outlined in the Directors' report in CMA's annual and interim reports.

Source: CMA Annual Report 2016 and HY17 Interim Financial Report.
nm – not meaningful. Analysis of FY15 results is not meaningful as capital was raised during the year through the IPO which funded (inter alia) the purchase of $71.8 million of additional investment properties. CMA's first full year of trading post IPO was FY16.

41 Source: CMA HY17 Results Presentation.

96 In relation to the financial performance, we note the following:

(a) net property income and operating profit for FY16 were significantly higher in comparison to FY15, reflecting the full year benefit of seven properties acquired by CMA subsequent to its IPO in December 2014 (we note that three properties were acquired in December 2014, one in May 2015 and the remaining three in June 2015)

(b) net property income for HY17 increased to $16.0 million from $14.1 million in the prior corresponding period (being the six months ended 31 December 2015), implying that net property income for the 12 months ended 31 December 2016 was some $33.4 million. The growth in net property income was primarily attributable to CMA securing 22 lease transactions during the period, as well as contracted increases in rental income from fixed annual rent reviews[42]

(c) management fees of $1.1 million were incurred during HY17, up from $0.9 million during the prior corresponding period, implying that management fees of $2.2 million were incurred in the 12 months ended 31 December 2016. The increase in management fees reflects the growth in the value of CMA's investment properties since 30 June 2016

(d) in HY17, a gain of $7.1 million on the revaluation of 9 Help Street, Chatswood, NSW was recognised on adopting values derived from an independent property valuation undertaken in December 2016.

97 CMA's policy is to distribute between 90% and 100% of its distributable earnings each year[43], and the distributions for FY16 and HY17 were consistent with this policy. On 9 February 2017, CMA reaffirmed its FY17 distributable earnings guidance of between 18.7 cents and 19.0 cents per stapled security, and FY17 distribution guidance of 17.5 cents per stapled security[44].

Statement of financial position

98 The financial position of CMA as at 30 June 2016 and 31 December 2016 is set out below:

42 We note that as of August 2016, approximately 94% of CMA's property leases had fixed annual reviews at an average increase of 3.6% per annum. Source: CMA FY16 Results Presentation.

43 Source: CMA PDS, dated 11 November 2014.

44 Source: CMA HY17 interim results announcement.

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CMA – statement of financial position[1]	30 Jun 16 Audited $000	31 Dec 16 Reviewed $000
Cash and cash equivalents	4,911	8,653
Trade and other receivables	377	166
Investments in listed trusts (current)	11,113	-
Investment properties held for sale	-	26,000
Pre-payments	432	497
Investment properties	398,730	391,500
Investments in listed trusts (non-current)	-	13,745
Total assets	**415,563**	**440,561**
Trade and other payables	6,150	18,453
Distributions payable	5,075	5,224
Interest bearing liabilities	141,090	138,554
Derivative financial instruments	3,106	1,532
Total liabilities	**155,421**	**163,763**
Net assets	**260,142**	**276,798**
Securities on issue (000s)	*119,408*	*119,408*
NTA per security ($)	*2.18*	*2.32*
Gearing (net debt[2] / total assets less cash)[3]	*33.4%*	*29.5%[4]*

Note:
1 Rounding differences may exist.
2 Before allowance for capitalised borrowing costs of $0.937 million and $1.446 million as at 30 June 2016 and 31 December 2016 respectively.
3 On a balance sheet, rather than see through basis.
4 Includes additional debt of $14.5 million drawn to fund the acquisition of the 8.76% interest in CUA and assumes that the proceeds from sale of 14 Mars Road, Lane Cove, NSW are used to reduce debt.
Source: CMA HY17 Interim Report and HY17 Results Presentation.

99 In relation to the financial position, we note the following:

(a) **investment properties held for sale** – on 21 December 2016, the RE entered into an unconditional contract for the sale of 14 Mars Road, Lane Cove, NSW for $26 million (excluding estimated selling costs expected to be incurred upon disposal), representing a 21% premium to the property's book value. Settlement of the property occurred on 31 March 2017[45]

(b) **investment properties** – investment properties at 31 December 2016 were carried at Directors' valuation[46], with the exception of 9 Help Street, Chatswood, NSW which was independently valued in December 2016. The latest independent valuations of the portfolio of investment properties (that were subject to the recent Directors' valuation) were completed in May 2016

45 CMA announcement, 3 April 2017.

46 CMA's policy is for investment properties to be independently valued at least once every 24 months. An internal valuation (which is subject to approval by the Board) is undertaken at every other reporting date when an independent valuation does not occur. Internal valuations include a review of the key valuation metrics including market capitalisation rate, discount rate and market rental and are subject to peer review where appropriate. The internal valuations are reviewed by CMA's auditors and approved by the Audit Committee.

(c) **investments in listed trusts (non-current)** – as at 31 December 2016, CMA held an 8.76% interest in CUA. The investment is carried at fair value and is based on CUA's last traded unit price of $2.14 on 31 December 2016

(d) **distributions payable** – distributions comprise accrued distributions for the fourth quarter of the year that had been declared but not yet paid out in cash to securityholders. This distribution of 4.375 cents per stapled security was paid on 30 January 2017

(e) **interest bearing liabilities** – as at 31 December 2016, CMA had debt facilities totalling $180.0 million which were drawn to $140.0 million, representing a LVR of 33.5% which complied with the bank covenant of less than 50%. The interest cover ratio was calculated to be 5.3 times which complied with the respective bank covenants of no less than 2.0 times. The borrowings of $138.6 million disclosed in the 31 December 2016 statement of financial position are net of $1.4 million in capitalised borrowing costs.

CMA increased its debt drawdown by $14.5 million on 9 January 2017 as a result of the acquisition of the 8.8% interest in CUA

(f) **derivative financial instruments** – CMA uses derivative financial instruments to hedge interest rate risk with respect to its borrowings. As at 31 December 2016, $84 million (or 60%) of the drawn borrowings was hedged, with an all-in cost of 3.9%.

Capital structure and ownership

100 As at the date of this report, CMA had 119.4 million securities on issue. The securities are reasonably tightly held with the top 20 securityholders accounting for approximately 63% of the total securities on issue as at 14 March 2017[47].

101 As at the date of this report, substantial securityholders in CMA[48] were as follows:

CMA – substantial securityholders(1)

	Securities held	
Securityholder	**Number (000s)**	**% of total**
Over Fifty Guardian Friendly Society Limited	11,522	9.7
Centuria Growth Bond Fund	4,739	4.0
Centuria Capital Limited	2,591	2.2
Centuria Balanced Bond Fund	357	0.3
Centuria High Growth Bond Fund	150	0.1
Entities associated with Centuria Capital Group	**19,359**	**16.2**
PEJR Investments (ATF Lederer Investment Trust)	13,097	11.0
Westpac Banking Corporation and its associates	9,981	8.4
APN Property Group	6,283	5.3
Total	**48,720**	**40.9**

Note:
1 Rounding differences exist.
Source: CMA Annual Report 2016 and HY17 Interim Report, various substantial interest notices and Nasdaq Shareholder Insight 14 March 2017.

47 Source: CMA / Nasdaq Shareholder Insight 14 March 2017.
48 Being securityholders in CMA that have a relevant interest of 5% or more.

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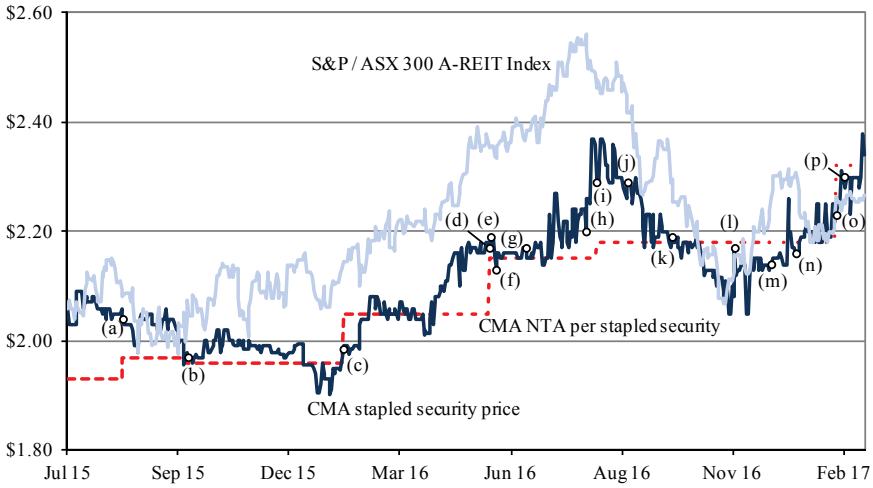
Security price performance

102 The following chart illustrates the movement in the security price of CMA from 1 July 2015 to 2 March 2017[49]:

CMA – security price history(1)
1 July 2015 to 2 March 2017



Note:
1 Based on closing prices. The S&P / ASX 300 A-REIT Index has been rebased to CMA's last traded price on 1 July 2015 ($2.06).
Source: Bloomberg and CMA ASX announcements.

103 Since July 2015, CMA has generally traded at a premium to its underlying NTA per security and performed largely in line with the S&P / ASX 300 A-REIT Index. Key market sensitive announcements during the period are as follows:

(a) **12 August 2015** – announced results for FY15, NTA per security of $1.97

(b) **1 October 2015** – announced the acquisition of a 50% direct interest in 203 Pacific Highway, St Leonards, NSW for $43.0 million (before costs). NTA per security was expected to decrease to $1.96 reflecting transaction costs associated with the acquisition

(c) **28 January 2016** – announced a 3.9% increase in the property portfolio to $379.2 million, which increased NTA per security to $2.05

(d) **19 May 2016** – announced a $17.6 million increase in the value of the property portfolio, which was expected to increase CMA's NTA per security by $0.10 to $2.15

(e) **20 May 2016** – announced that Centuria Capital had acquired a 12.6% strategic interest in GPT Metro Office Fund (GMF) and that CMA had also acquired a 2.6% interest in GMF, for a combined total of 15.2%

(f) **24 May 2016** – announced an indicative non-binding proposal to merge CMA and GMF via a trust scheme of $0.27 cash and one CMA stapled security per GMF unit

(g) **16 June 2016** – announced an off-market takeover to merge CMA and GMF for $0.31 cash and one CMA stapled security per GMF unit

49 Being the last day of trading prior to the announcement of the Trust Scheme.

(h) **1 August 2016** – announced that it would not be proceeding with its takeover offer for GMF given the terms of the competing offer from Growthpoint Properties Australia Trust (Growthpoint) and the GMF independent board committee recommendation in favour of the Growthpoint offer

(i) **9 August 2016** – announced results for FY16, NTA per security of $2.18

(j) **2 September 2016** – announced that it had accepted Growthpoint's cash alternative facility offer for CMA's stake in GMF at $2.50 per unit[50]

(k) **6 October 2016** – announced that the portfolio occupancy was in excess of 98%, primarily as a result of nine lease transactions totalling 2,234 sqm being secured since 30 June 2016

(l) **23 November 2016** – announced the acquisition of an 8.76% strategic interest in CUA for a total cost of $14.5 million

(m) **21 December 2016** – announced that it had entered into an unconditional contract for the sale of 14 Mars Road, Lane Cove, NSW for $26 million (settlement occurred on 31 March 2017). The sale of the property was not expected to have any material impact on FY17 distributable earnings guidance

(n) **9 January 2017** – announced the completion of the acquisition of the strategic investment in CUA

(o) **9 February 2017** – announced results for HY17, NTA per security of $2.32

(p) **15 February 2017** – announced the Simplification Proposal (which was unanimously passed by CMA securityholders on 15 March 2017).

Liquidity in CMA securities

104 The liquidity in CMA securities based on trading on the ASX over the 12 month period prior to the announcement of the Trust Scheme, is set out below:

CMA – liquidity in securities

Period	Start date	End date	No of securities traded 000	WANOS outstanding 000	Implied level of liquidity Period[(1)] %	Annual[(3)] %
1 month	3 Feb 17	2 Mar 17	1,759	119,408	1.5	17.7
3 months	3 Dec 16	2 Mar 17	4,329	119,408	3.6	14.5
6 months	3 Sep 16	2 Mar 17	12,581	119,408	10.5	21.1
1 year	3 Mar 16	2 Mar 17	22,236	119,408	18.6	18.6

Note:
1 Number of securities traded during the period divided by WANOS.
2 Implied annualised figure based upon implied level of liquidity for the period.
Source: Bloomberg and LEA analysis.

50 Source: GMF target statement dated 1 August 2016.

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105 As indicated above, trading in CMA is consistent but relatively illiquid, particularly in comparison to other ASX listed Office A-REITs[51]. For example, implied annual liquidity in Investa, Cromwell and GDI Property Group[52] for the six months to 2 March 2017 was 96.8%, 59.1% and 33.3% respectively.

51 Australian real estate investment trusts.

52 Being the three largest ASX listed Office A-REITs by market capitalisation as at 2 March 2017. We note that the implied annual liquidity of Investa and Cromwell for the six months prior to the announcement of the highly conditional, indicative non-binding cash offer received from Cromwell on 30 November 2016 was 91.1% and 72.2% respectively.

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V Valuation methodology

Valuation approaches

106 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, unit buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to unitholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

107 Under the DCF methodology the value of the business is equal to the net present value (NPV) of the estimated future cash flows including a terminal value. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

108 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future "maintainable" earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.

109 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, earnings before interest, tax, depreciation and amortisation (EBITDA), earnings before interest, tax and amortisation (EBITA), EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in units in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

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110 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

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VI Valuation of 100% of CUA

Approach / methodology

111 REITs are primarily passive investment vehicles whose value is largely determined by the underlying property assets they hold (which are typically carried on balance sheet at market values as determined by property valuers). Accordingly, REITs are commonly valued by reference to the net assets approach, which involves aggregating the market value of the individual assets and liabilities of the entity.

112 Whilst other valuation methodologies (such as DCF and capitalisation of earnings) are not generally employed in assessing the overall value of a REIT, it should be noted that property valuers utilise a number of methodologies in assessing the individual property values including DCF, capitalisation of income and direct comparison (e.g. value per square metre) approaches.

113 For the purposes of this report, LEA has determined the value of CUA through the application of the net assets approach.

114 We have cross-checked our valuation of CUA for reasonableness by comparing the implied metrics based on the transaction and trading evidence of broadly comparable A-REITs against the comparable metrics implied by our valuation. We have also considered the listed trading price of CUA units prior to the announcement of the Trust Scheme.

Assessment of the value of 100% of CUA

115 We have assessed the value of CUA on a 100% controlling interest basis as follows:

Assessed valued of CUA	Low $m	High $m
Reported NTA as at 31 December 2016	166.4	166.4
Movement in net assets to 31 March 2017	0.4	0.4
Property value adjustments	(1.2)	6.6
Capitalised borrowing costs	-	-
Capitalised operational overheads	(11.7)	-
Orderly wind-up costs	-	(4.0)
Equity value – 100% controlling interest basis	154.0	169.3
Units on issue (m)	73.3	73.3
Value per unit – 100% controlling interest basis ($)	**2.10**	**2.31**

116 We discuss each of the above adjustments in paragraphs 117 to 129 below.

Movement in net assets to 31 March 2017

117 We have been provided with CUA's unaudited profit and loss and balance sheet as at 31 March 2017. The reported NTA had increased by $0.4 million after providing for the March quarter distribution and writing off capitalised borrowing costs of $0.1 million. Accordingly, we have included this increase in NTA for the purposes of our valuation assessment.

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Property valuations

118 LEA has not undertaken any valuation of the properties owned by CUA, and for the purposes of this report, has relied upon the carrying values adopted by the Directors of CPF2L for financial reporting purposes as at 31 December 2016. These carrying values are based on independent property valuations commissioned by CUA, adopted by the Directors and reviewed by CUA's auditors for financial reporting purposes. Given the nature of the evaluation, LEA does not have any reason to believe that it is not reasonable to rely on these valuations for the purposes of our valuation assessment. LEA has undertaken a review[53] of the independent property valuations and notes that:

(a) the independent valuers have been instructed by CPF2L and the valuations confirm that:

  (i) the valuers are independent of CPF2L and have no conflict of interest in relation to the valuations

  (ii) the valuers are appropriately experienced and qualified

(b) the external valuers were instructed that the current market valuation of the property would be used by CPF2L to:

  (i) advise investors in the fund of the current market value of the property

  (ii) be used for financial reporting purposes in accordance with AASB 13 – *Fair Value Measurement*

(c) there were no restrictions placed on the scope of the property valuations

(d) the valuations have been prepared in accordance with the Australian Property Institute's (API) Valuation Standards and Guidance Notes

(e) the methodologies adopted by the valuers include DCF (with allowance for selling costs only in the determination of the terminal value), capitalisation of income and direct comparison (such methodologies being generally accepted valuation methodologies adopted for the purposes of assessing the market value of properties) with the assessed value having regard to the results of the various bases of assessment

(f) the valuations are undertaken on a going concern basis (i.e. with an orderly marketing period) based upon current use and make allowance (where applicable) for items such as the present value of lease incentives, existing property management arrangements etc.

(g) the valuations assume that the properties would be sold on an individual basis (i.e. they do not have regard to the potential effect of the fund selling the properties in "one line")

(h) the 31 December 2016 half year financial report was signed by the Directors on 9 February 2017, no disclosure was made in the half year financial report to indicate that there had been any subsequent event that would result in the carrying values of the properties to be materially over / understated

(i) our analysis of the market price of the CUA securities post announcement of the fund's NTA as at 31 December 2016 provides no indication that the market does not accept the adopted property valuations as being sufficiently current.

53 This review does not constitute any form of audit or due diligence investigation by LEA and should not be interpreted as such.

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119 The carrying values that have been adopted by the Directors of CPF2L for financial reporting purposes for 485 Kingsford Smith Drive, Hamilton Harbour, QLD, 154 Melbourne Street, South Brisbane, QLD and 576 Swan Street, Richmond, VIC are based upon single point estimates from the independent property valuations undertaken on 26 April 2016, 31 December 2016 and 31 December 2016 respectively[54].

120 However, value is generally considered to fall within a range and the assessment of value is sensitive to the capitalisation rate and discount rate adopted in assessing the value of the property using the capitalisation of income and/or DCF approach. Accordingly, for the purposes of this report, we have made both positive and negative adjustments of 2% to the single point estimate for the Richmond property[55] in order to reflect this potential range of values.

121 Whilst the carrying values of the Queensland properties are also based upon single point estimates from the independent property valuations, and the valuations were independently undertaken and/or reviewed by CUA Directors as at 31 December 2016, the announcement by Investa on 8 May 2016 of property revaluations as at 30 April 2017 provides evidence that the capitalisation yields on Brisbane office properties have improved (on average) in the order of 40 basis points since 31 December 2016. We have discussed this development with CUA management and note that:

(a) Investa's Brisbane assets are core CBD assets and this market place is attracting the limited leasing enquiry that exists in the Brisbane market

(b) CUA's assets, whilst modern, are located in the fringe markets of South Brisbane and Hamilton. These markets have not yet enjoyed the uplift as witnessed by Investa's portfolio revaluation

(c) leasing risk remains in both CUA assets. CUA management expect the current valuations to be reconfirmed as at 30 June 2017 with a possibility of an immaterial increase if leasing enquiry can be converted to agreed lease terms.

122 In order to reflect the potential uplift in the fund's Queensland property values due to yield improvement, we have increased the high end of the valuation range by $5.4 million to reflect a 0.25 basis point improvement in capitalisation rates[56]. We have not applied any adjustment at the low end of the range to reflect the current leasing enquiries.

123 The notional adjustments made to reflect the above are summarised in the following table:

54 We have discussed the reasons for the CUA Directors adopting the April 2016 valuation as at 31 December 2016 with CPF2L management. Despite the date of the report we understand that management and the Directors do not consider the value of this property to have materially changed given the current market rents, lease profiles, assumed level of lease incentives and market capitalisation and discount rates and as such have adopted a value consistent with the April 2016 independent valuation..

55 We have assessed the quantum of this adjustment having regard to the sensitivity analysis undertaken in the independent property valuations.

56 Calculated based on the adopted yield of 7.0%; divided by the assumed improved yield of 6.75% applied to the carrying value of the Queensland properties as at 31 December 2016.

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Notional adjustment to property carrying values			
		Low $m	High $m
576 Swan Street, Richmond, VIC		56.0	56.0
Add / (deduct) valuation tolerance allowance (+2% / -2%)	(a)	(1.2)	1.2
485 Kingsford Smith Drive, Hamilton Harbour, QLD		74.4	74.4
154 Melbourne Street, South Brisbane, QLD		77.5	77.5
Adjustment for potential uplift from yield improvement	(b)	-	5.4
Total adjustments	**(a) + (b)**	**(1.2)**	**6.6**

Capitalised borrowing costs

124 Reported NTA as at 31 December 2016 includes the unamortised balance of loan establishment fees of some $0.1 million, which have been capitalised for accounting purposes. These assets have no cash value (i.e. they are accounting entries only). As noted in paragraph 117, in the period to 31 March 2017 these capitalised borrowing costs have been written off. By recognising the net movement in NTA in the quarter ended 31 March 2017, these costs have therefore already been excluded from our valuation.

Operational overheads

125 CUA incurs various operational overheads (of some $1.7 million per annum[57]), including:

(a) RE and custodian fees of approximately $1.4 million per annum

(b) listed entity fees (such as directors fees, annual reports, unitholder communication, unit registry and listing fees etc) and other administrative expenses of approximately $0.3 million per annum.

126 On a standalone (internally managed) basis, CUA would avoid listed entity fees but would still incur operational overheads, albeit these would likely be less than the costs incurred under the current externally managed structure (which include the payment of a profit element). Furthermore, an acquirer of 100% of CUA with an existing property management platform in Australia could save substantially more of the overhead costs depending upon their business model.

127 Based upon cost estimates provided by CPF2L[58] and discussions with CPF2L management we have, for valuation purposes, allowed for on-going operational costs of $0.8 million which represents a reduction of $0.9 million to reflect the profit element contained in the overhead charges (having regard to the profit margin generated by CPF2L and other external providers).

57 Based on the 12 months ended 31 December 2016.

58 Which we have adjusted where considered appropriate.

128 These costs are not captured within CUA's reported NTA and should be allowed for as they are costs that would be incurred in continuing to operate as a REIT. For the purposes of assessing the low end of the value range for CUA, we have capitalised these costs by applying the weighted average capitalisation rate of 6.86% derived from CUA's property portfolio. The capitalised value of the costs of some $11.7 million has been deducted from the reported NTA.

Orderly wind-up

129 In determining the high end of the valuation range, we have assumed that the owner of 100% of the units in CUA could elect to undertake a managed wind-up in order to realise underlying value. We understand that a managed wind-up is likely to require a six to nine month period[59] in order to undertake the necessary marketing, sales and due diligence requirements. During this time, the existing operational overhead structure would remain in place and costs in the order of $0.9 million to $1.3 million would still be incurred. Further, CUA would incur selling costs estimated at 1.0% to 1.5% of the property values[60] (amounting to $2.2 million to $3.1 million) and other costs (including an allowance for contingencies) estimated at $1.0 million. CPF2L has confirmed that no break or disposal fees are applicable in the event of a wind-up. For the purposes of our valuation, we have adopted the low end of the estimated orderly wind-up cost range.

Cross-checks

Comparison against trading and transaction evidence for A-REITs

130 We set out below the premiums / (discounts) to NTA implied by our valuation:

CUA – NTA cross-check[(1)]	Low Cents	Mid-point Cents	High Cents
Assessed equity value per security – controlling interest basis	2.10	2.21	2.31
Reported NTA as at 31 December 2016	2.27	2.27	2.27
Premium / (discount) to reported NTA	(0.17)	(0.06)	0.04
Premium / (discount) to reported NTA	*(7.5%)*	*(2.8%)*	*1.8%*

Note:
1 Rounding differences may exist.

131 We note that whilst the majority of listed A-REITs (set out at Appendix C) were trading at a premium to NTA (as at 5 May 2017), many of these have significant property funds management operations, the value of which is not reflected on balance sheet. Given that CUA does not have a similar business and will be required to incur operational overheads with respect to its continued operations we consider our valuation to be reasonable.

59 The time taken for orderly wind-up is as advised by CPF2L.

60 We note that the carrying values of the properties in CUA's financial statements do not include any allowance for selling costs assuming an immediate sale.

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132 The range of discounts to NTA observed in the context of recent A-REIT transactions (of a non-distressed nature)[61] is some 12.9% to 4.3%. Premiums have also been paid in recent transactions in the range of 1.1% to 42.5%. With respect to the significant observed premiums above NTA, our analysis indicates that these are applicable to specialised assets and/or more diverse operations e.g. retail investments and holiday parks, fully integrated fund and asset management businesses, design and development operations, etc. However, after excluding these transactions, modest premiums to NTA have been paid in recent A-REIT transactions. We also note that there are two pending transactions relating to office A-REITs (Investa and Brookfield Prime Property Fund), which based on the disclosed offer prices, imply a 0.8% and 0.3% discount to reported NTA respectively[62]. The range of discounts and premium to NTA implied by our valuation range falls within the range for the transactions examined and considered applicable for comparison purposes.

133 We set out below the distribution yield implied by our valuation:

CUA – distribution yield cross-check(1)

	Low $	Mid-point $	High $
Assessed equity value per security – controlling interest basis	2.10	2.21	2.31
Forecast distribution for FY17(2)	0.16	0.16	0.16
Implied distribution yield (based on FY17)	7.6%	7.3%	6.9%

Note:
1 Rounding differences may exist.
2 Distributable earnings of the trust are expected to be 16 cents per security. Source: CUA HY17 Interim Result announcement dated 9 February 2017.

134 The implied distribution yield for CUA units of 6.9% to 7.6% is consistent with the forecast FY17 yields for other listed Office A-REITs which range from 4.7% to 8.3% with a median of 7.3% as set out in Appendix C.

135 We also set out below the one year forward distribution yield upon which CUA traded prior to the announcement of the Trust Scheme:

61 In this context we consider that transactions post 2012 would be reflective of more stable market conditions.
62 Investa pro-forma NTA as at 31 December 2016 adjusted for updated independent property valuations undertaken as at 30 April 2017.

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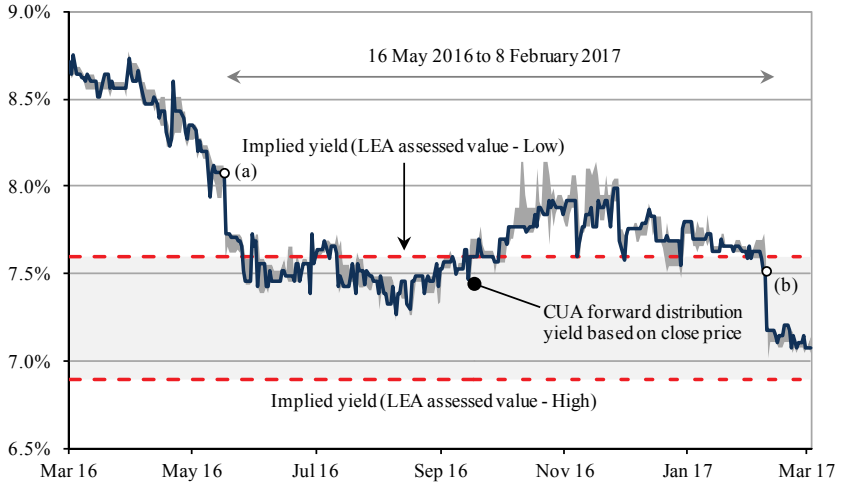
CUA – one year forward distribution yield[1][2]
1 March 2016 to 2 March 2017



Note:
1 Forward distribution yield line based upon closing prices with shaded area around line representing the implied yield based upon intra-day high and low prices.
2 Implied yield for LEA assessed values based upon forecast FY17 distribution, not a one year forward distribution.
Source: Bloomberg and LEA analysis.

136 In respect of the above, we note that:

(a) for the period 16 May 2016 to 8 February 2017, CUA traded on a yield of between approximately 7.3% and 8.1%

(b) subsequent CUA's HY17 results announcement on 9 February 2017, the yield decreased to approximately 7.2%. The announcement included a full year distribution guidance of 16.0 cents per unit based on a 100% payout ratio (this guidance was less than the annualised HY17 distribution of 8.5 cents per unit). However, the announcement was also accompanied by a restatement of the previously mentioned comment that "*CMA believes that the property portfolios of CMA and CUA are highly complementary and intends to consider a merger of CMA and CUA at some point in the future*". We further note that because the NTAs of CUA and CMA were disclosed as part of the respective half year results announcements, this provided a contemporaneous reference point and opportune time for the discussion and agreement of a transaction between the two entities

(c) the FY17 distribution yield range implied by our valuation approximates a two month forward distribution, rather than a one year forward distribution. All else being equal, the yield should be marginally less than the one year forward evidence.

137 We note that the distribution yields implied by our (controlling interest) valuation are consistent with and marginally less than the yields upon which CUA has historically traded on a portfolio basis (noting that the observed distribution yield for more recent trading post the HY17 results announcement may more closely reflect a controlling interest value due to an expectation of an imminent transaction).

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Comparison with listed market price

138 Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers of industrial companies in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). However, A-REITs (which generally passively hold a portfolio of properties) are quite different in character to industrial operating businesses and there is normally little justification for the payment of any material premiums over NTA value and/or pre-bid trading prices.

139 We note that the CUA's volume weighted average price (VWAP) for the period post the HY17 results announcement and most recent upward revision to CUA's reported NTA per unit[63] up to and including the last trading day prior to the announcement of the Trust Scheme was $2.25 per unit. That said, recent trading in the CUA's units indicates that the securities are relatively illiquid. CUA has also been the subject of takeover speculation (since Centuria Capital Group announced its intention to acquire an interest in CUA in November 2016[64]) and CUA's observed unit prices prior to the announcement of the Trust Scheme may therefore reflect a controlling interest value.

140 Our valuation implies the following premium / (discount) over the observed VWAP post the HY17 results announcement and most recent upward revision to reported NTA per unit:

CUA – comparison to listed market price[(1)]	Low $	Mid-point $	High $
Assessed equity value per security – controlling interest basis	2.10	2.21	2.31
VWAP – 9 February 2017[(2)] to 2 March 2017[(3)]	2.25	2.25	2.25
Premium / (discount) to VWAP	(0.15)	(0.04)	0.06
Premium / (discount) to VWAP	*(6.6%)*	*(2.0%)*	*2.7%*

Note:
1 Rounding differences may exist.
2 Trading prior to this does not reflect the most recent upward revision to reported NTA per unit.
3 Being the last trading day prior to the announcement of the Trust Scheme.

141 Our valuation implies a discount at the low end of the valuation range and a modest premium at the high end of the valuation range (noting that the traded price may already reflect a controlling interest value as a result of the takeover speculation). The discounts and premiums implied by our valuation range fall within the range of premiums and discounts for Office A-REITs which range from 15.2% discount to a 14.0% premium (refer Appendix C).

Conclusion

142 Having regard to the above, we consider that our valuation range, and the range of discounts and premiums implied by our valuation range are reasonable and appropriate in the circumstances.

63 Noting that the traded price of a REIT is influenced by (inter alia) reported NTA per security.

64 Speculation emerged in the press about this acquisition and other transactions concerning 360 Capital Group and Centuria Capital Group as early as October 2016.

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VII Valuation of the Scheme Consideration

Approach / methodology

143 If the Trust Scheme is approved and implemented, CUA unitholders will receive 0.88 CMA securities and $0.23 cash per CUA unit they hold on the Scheme Record Date. Accordingly, the value of the consideration offered comprises the following two components:

(a) the value of an interest in CMA securities on a post-transaction basis (i.e. an equity interest in the merged entity). In the context of a takeover transaction (which we consider the Trust Scheme to be), RG 111 requires this component to be assessed on a minority interest basis

(b) the value of the cash component.

144 It is customary in transactions where scrip is offered as consideration to rely upon the market price of the bidder's securities (in this case, CMA's securities) on a post-transaction announcement basis as the reference point for estimating the realisable value of the scrip component. The alternate method is to estimate the underlying value of the combined entity and then allow for a minority interest discount. The market price methodology is often preferred when the securities of an entity are reasonably liquid and the market is well informed because:

(a) the listed market price typically reflects all publicly available information about that entity's future risks and prospects (including the impact of the proposed transaction[65]) and therefore provides the best indication as to value

(b) the listed market price is likely to represent a reasonable proxy for the amount that target securityholders could expect to realise if they sold the scrip component either immediately, or in the short-term after the completion of the transaction.

145 For the purposes of this report, LEA has adopted the market price approach. In doing so, we have considered the following:

(a) the listed market prices of CMA securities on both a pre and post-transaction announcement basis. Whilst post-transaction trading evidence is more relevant in determining the value of the scrip component, we note that (at the date of this report) the period of post-announcement trading is relatively short

(b) the depth of the market for the securities and volatility thereof

(c) analyst research on CMA

(d) whether there are trading restrictions and potential information disclosure issues

(e) whether the number of securities to be issued under the Agreement could be easily converted to cash at the listed market prices

(f) the financial implications for CMA of acquiring CUA.

65 Where sufficient information about the transaction has been disclosed to the market.

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146 We have also cross-checked the reasonableness of our assessed value of the scrip component by comparing the key value metrics implied by our valuation (premium / discount to NTA and distribution yields) against those exhibited by CMA's A-REIT peers.

Assessment of the value of the scrip component

Recent trading history (pre and post announcement)

147 Historical security prices for CMA are set out in Section IV. More recent trading in CMA securities prior to the announcement of the Trust Scheme on 3 March 2017 is shown below:

CMA – security price history (pre announcement)

Time periods[1]	Reported NTA per security $	Security price[2] Low $	High $	VWAP $	VWAP / NTA[3] %	Securities traded 000	Implied annual liquidity[4] %
9 Feb 16 to 18 May 16	2.05	1.99	2.20	2.07	0.92	5,042	15.4
19 May 16 to 8 Aug 16	2.15	2.10	2.37	2.18	1.40	4,162	15.5
9 Aug 16 to 8 Feb 17	2.18	2.05	2.40	2.17	(0.37)	12,604	20.9
9 Feb 17 to 2 Mar 17[5]	2.32	2.23	2.39	2.28	(1.81)	1,446	20.1

Note:
1 Time periods correspond with changes to reported NTA per security.
2 The trading range during the periods above may be impacted by "accrued" distributions being reflected in the security price.
3 VWAP during the period relative to reported NTA.
4 Number of securities traded during the period divided by WANOS (of 119.4 million). Implied annualised figure based upon calculated implied level of liquidity for the period.
5 Being the last trading day prior to the announcement of the Trust Scheme.

148 The traded price of a REIT is influenced by (inter alia) reported NTA per security.

149 CMA securities have generally traded in a relatively tight band around its reported NTA per security (which has increased over time) and historically traded on a VWAP basis at a very small premium to reported NTA. Although more recently CUA's VWAP has been at a discount to reported NTA, we note the following events which may have impacted trading prices during the abovementioned periods:

(a) on 20 May 2016 (i.e. during the period 19 May 2016 to 8 August 2016), CMA initiated a takeover bid to acquire GMF. The bid was ultimately unsuccessful with Growthpoint lodging a superior bid

(b) during the period 9 August 2016 to 8 February 2017, CMA announced the proposal to acquire 6.423 million units (an 8.76% interest) in CUA (then known as the 360 Capital Office Fund)[66]. The acquisition settled on 9 January 2017

66 Concurrently, Centuria Capital also acquired 14.649 million units (or 19.99% of the total units on issue) in the 360 Capital Office Fund.

(c) on 9 February 2017, CMA announced its HY17 results. During the period subsequent to this announcement the discount at which CUA traded relative to NTA increased. However, we note that 6.0 cents of the uplift in reported NTA per security (to $2.32) arose from the revaluation of the property portfolio by the Directors of CPFL (the RE to CMA), as opposed to independent property valuations[67].

150 In our view, the listed market prices of CMA securities following the announcement of the Trust Scheme are more relevant in determining the value of the scrip component as they reflect the market's view of the combined value of the two entities based upon the terms of the transaction and the synergy benefits that are expected to be realised.

151 The following table sets out the prices at which CMA securities have traded in the relatively short period subsequent to the announcement of the Trust Scheme:

CMA – security price history (post announcement)

Time periods	Pro-forma NTA per security[1] $	Security price[2] Low $	High $	VWAP $	VWAP / NTA[3] %	Securities traded 000	Implied annual liquidity[4] %
3 Mar 17[5] to 8 May 17	2.29	2.23	2.40	2.35	2.62	2,454	11.4
Pre amendment to the Agreement[6]							
1 week to 20 Apr 17	2.29	2.32	2.39	2.38	3.93	56	2.4
2 weeks to 20 Apr 17	2.29	2.32	2.40	2.36	3.06	473	10.3
3 Mar 17[5] to 20 Apr 17	2.29	2.23	2.40	2.34	2.18	1,276	7.9
Post amendment to the Agreement[6]							
1 week to 8 May 17	2.29	2.35	2.39	2.36	3.06	412	18.0
21 Apr 17[6] to 8 May 17	2.29	2.34	2.39	2.36	3.06	1,178	21.4

Note:
1 Being the pro-forma NTA per paragraph 163, noting that this is broadly consistent with (albeit marginally less than) the pro-forma NTA range (of $2.30 to $2.31 per security) as disclosed in the Investor Presentation dated 3 March 2017.
2 The trading range during the period 3 March 2017 to 29 March 2017 (inclusive) may have been impacted by the "accrued" March quarter distribution.
3 VWAP during the period relative to reported NTA.
4 Number of securities traded during the period divided by WANOS (of 119.4 million). Implied annualised figure based upon calculated implied level of liquidity for the period.
5 Date of announcement of the Trust Scheme.
6 The Agreement was amended on 21 April 2017. The amendments predominately related to the insertion of an additional condition and changes to the timetable.

152 CMA has, post the announcement of the Trust Scheme, continued to trade within a relatively tight band around pro-forma NTA (per security), with the observed VWAP being marginally higher (rather than marginally less) than the pro-forma position. Whilst liquidity has generally been lower than that observed pre-announcement, the trading range subsequent to the announcement of the Trust Scheme is nonetheless largely consistent with that observed in

67 That said, we note that the Directors of CPFL undertook a similar exercise in respect of the HY16 results, which resulted in a 2.3 cent per security uplift in NTA. CMA securities traded (on a VWAP basis) at a premium to reported NTA during the period subsequent to the HY16 results announcement (i.e. 9 February 2016 to 18 May 2016).

the period 9 February 2017 to 2 March 2017. We note that CMA has traded at or above $2.27 per security on all days post announcement bar 10 March 2017, when 15,000 securities were sold at prices between $2.23 per security and $2.26 per security (i.e. only some 0.6% of turnover has been at below $2.27 per security).

Share trading restrictions and liquidity

153 There are no significant restrictions on trading in CMA which would prevent sufficient trading (on a day-to-day basis) to produce an unbiased share price.

154 We note, however, that the volume of securities traded in CMA is relatively low compared to ASX listed entities generally (the implied levels of liquidity prior to the announcement of the Trust Scheme are set out in Section IV). That said, (based upon the observed trading set out in the tables above) there is little evidence to suggest that the relatively low level of liquidity in the securities is materially impacting the security price.

Analyst coverage and information disclosures

155 CMA is researched and analysed by share broking firms and institutional investors. As at 8 May 2017, earnings and distribution forecasts for CMA (for FY17, FY18 and FY19) were provided on Bloomberg from three securities / brokerage firms. The target security prices for CMA were as follows:

Broker target security prices for CMA – as at 8 May 2017

Broker	Date of report	$ per security
Broker One	9 February 2017(1)	2.34
Broker Two	3 March 2017	2.50
Broker Three	3 March 2017	na

Note:
1 We note that the date of this report pre-dates the announcement of the Trust Scheme and the target price therefore does not reflect a target price for CMA on a post-transaction basis (and rather represents a target price for CMA on a standalone basis).

Source: Bloomberg.
na – not available.

156 Significant information in relation to CMA's operations and property portfolio has also been disclosed in its financial reports and ASX announcements. Further, CMA has an obligation under the ASX Listing Rules (subject to certain exemptions) to notify the ASX immediately of any information that it becomes aware of concerning CMA which a reasonable person would expect to have a material effect on the price or value of CMA securities.

Number of CMA securities to be issued as consideration

157 Pursuant to the scrip component of the Scheme consideration, CUA unitholders will receive 0.88 securities in CMA for every ordinary unit held in CUA.

158 CUA has 73.280 million ordinary units on issue, of which CMA holds 6.4 million units, some 8.76% (in addition, Centuria Capital holds some 14.6 million CUA units or a 19.99% interest). CMA has 119.407 million securities on issue.

159 The number of securities to be issued by CMA as consideration under the Trust Scheme will therefore represent 33.0% of the enlarged capital base of CMA, calculated as follows:

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Scheme Consideration as a % of enlarged capital base[1]		Securities million
Number of CMA securities outstanding		119.4
Number of securities to be issued pursuant to the Trust Scheme[2]	(A)	58.9
Implied total securities outstanding in CMA post-transaction	(B)	178.3
CUA unitholders' interest in CMA post-transaction	(A) / (B)	33.0%
Non-Associated CUA Unitholders' interest in CMA post-transaction[3]		25.8%

Note:
1 Rounding differences may exist.
2 Being 73.280 million CUA units less 6.423 million units held by CMA, converted to CMA securities at the exchange ratio of 0.88 CMA securities for every CUA unit held.
3 Excluding the CMA securities to be issued to Centuria Capital.

160 Based on the above, if a large number of Non-Associated CUA Unitholders subsequently decide to sell their CMA securities on market, this could result in a short-term adverse price impact caused by the potential oversupply of CMA securities. However, we note that Non-Associated CUA Unitholders have not (in aggregate) typically traded in high volumes with the level of turnover in CUA on a standalone basis being relatively low (approximately 15 million CUA units were being traded on an annual basis prior to the announcement of the Trust Scheme. This equates to some 13 million CMA units at the exchange ratio of 0.88 or some 7% of the total securities outstanding in CMA on a post-transaction basis).

Financial implications of acquiring CUA

161 The pro-forma operational and financial implications for CMA of the acquisition of CUA (including underlying assumptions) are set out in Section 8 of the Notice of Meeting and Explanatory Memorandum. We summarise the pro-forma earnings implications for CMA for the year ending 30 June 2018 below:

CMA on a post-transaction basis – pro-forma financial performance for FY18[1]	CMA $m	CUA $m	Adjustment $m	Pro-forma $m
Net property income	29.9	14.5	-	44.4
Other income	0.1	-	-	0.1
RE fees	(2.2)	(1.4)	0.1[2]	(3.5)
Other expenses	(0.9)	(0.3)	0.3[3]	(0.9)
Interest expense	(4.9)	(1.9)	(0.3)[4]	(7.1)
Distributable earnings	**22.0**	**11.0**	**0.1**	**33.1**
Weighted average securities	119.4	73.3	58.9	178.3
Distributable earnings per security	**18.4**	**15.0**		**18.6**

Note:
1 Rounding differences may exist.
2 Reflects the 0.005% reduction in RE fees applicable to CUA's gross assets.
3 Reflects the costs savings associated with listing fees etc.
4 Reflects net interest costs assuming additional borrowings as a result of the Trust Scheme offset by more favourable borrowing rates assumed to be offered to the merged entity (i.e. CMA on a post-transaction basis).

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162 In respect of the above, we note that the Trust Scheme is expected to be earnings accretive for CMA, due primarily to the synergy benefits that are expected to arise from the transaction.

163 The pro-forma impact upon the financial position of CMA (i.e. on a post-transaction basis) is set out below:

CMA on a post-transaction basis – pro-forma financial position as at 31 December 2016[1]	CMA $m	CUA $m	Adjustment $m	Pro-forma $m
Cash and cash equivalents	8.7	2.3	-	10.9
Investment in CUA	13.7	-	(13.7)[2]	-
Investment properties	391.5[3]	210.4	-	601.9
Other	0.7	0.6	-	1.3
Total assets	**414.6**	**213.3**	**(13.7)**	**614.1**
Trade and other payables	23.7	4.9	(14.5)	14.1
Interest bearing liabilities	112.7[3]	41.4	37.2[4]	191.2
Derivative financial instruments	1.5	0.6	(2.2)[5]	-
Total Liabilities	**137.9**	**46.9**	**20.5**	**205.2**
Net Assets	**276.7**	**166.4**	**(33.8)**	**408.8**
Securities on issue (m)	*119.4*	*73.3*	*58.9*	*178.3*
NTA per security ($)	*2.32*	*2.27*		*2.29*
Gearing (net debt[6] / total assets less cash)	*29.5%[7]*	*18.6%*		*30.2%*

Note:
1 Rounding differences may exist.
2 Eliminates CMA's current investment in CUA.
3 Excludes 14 Mars Road, Lane Cove, NSW which was sold for $26.0 million and settled on 31 March 2017. Borrowings have been reduced for the proceeds from the sale.
4 Additional borrowings of $37.2 million will be drawn down to finance the cash consideration and transaction costs.
5 CPFL intends to close out CMA's and CUA's interest rate derivatives.
6 CMA standalone gearing calculation includes $14.5 million borrowings for CUA unit purchase included in trade and other payables. Includes an adjustment for capitalised borrowing costs of $1.4 million in CMA standalone and $0.1 million in CUA standalone (and some $1.5 million on a pro-forma basis).
7 On a balance sheet, rather than see through basis.

164 In respect of the above we note that CMA's NTA per security decreases by approximately 1.0%, largely as a result of the termination of interest rate derivatives of $2.2 million and unavoidable transaction costs of $5.2 million (including advisor fees and applicable stamp duty) which will be debt funded. Gearing also increases very marginally from 29.5% to 30.2% but remains within CMA's target gearing range of 25% to 35%.

165 Whilst NTA per security decreases, the dilution is relatively minor and, in our opinion, is offset by the value of the synergies and other strategic benefits (such as lower single building and tenant concentration risks) that are likely to be realised from the transaction.

Conclusion

166 In summary, in assessing the value of the CMA securities offered as consideration under the Trust Scheme we have had regard to:

(a) the recent trading range of CMA securities, particularly subsequent to the announcement of the Trust Scheme on 3 March 2017

(b) the number of securities to be issued by CMA under the Trust Scheme to the Non-Associated CUA Unitholders, which is not insignificant when compared to the enlarged number of CMA securities on issue (albeit we note that CUA units are not highly traded on a standalone basis)

(c) the likely level of on-market trading in CMA securities should the Trust Scheme be approved, having regard to factors including:

  (i) the modest risk of a potential oversupply of CMA securities from those unitholders in CUA that subsequently decide they do not wish to retain the CMA securities received as consideration

  (ii) the relatively minor NTA dilution that is expected to occur as a result of the transaction and the extent to which this is offset by synergies and other strategic benefits that are expected to be realised as a result of the transaction

(d) recent stock market conditions

(e) the NTA multiples and distribution yields implied by our adopted range (see below).

167 Based on the above we have assessed the realisable value of the CMA securities offered as consideration at between $2.25 and $2.40 per security.

168 CUA unitholders should note that the listed market price of CMA securities is subject to daily fluctuation and accordingly, the price at which CMA securities may be sold (in the short-term) may therefore be greater or less than our assessed realisable value range.

169 CUA unitholders should also note that it is not possible to accurately predict future security price movements and any decision to continue to hold CMA securities beyond the immediate to short-term is a separate investment decision which should be made by CUA unitholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. CUA unitholders should therefore seek independent professional advice specific to their individual circumstances if required.

Cross-checks

170 We have cross-checked our assessment of the realisable value of CMA securities by comparing the key value metrics implied by our valuation (premium / discount to NTA and distribution yields) against those exhibited by CMA's A-REIT peers.

171 Pro-forma NTA per CMA security on a post-transaction basis is expected to be $2.29. Based upon our assessed valuation range of $2.25 to $2.40 per CMA security, the pro-forma premium / discount to NTA is therefore (1.7%) to 4.8%. The discounts and premiums implied by our assessed Scheme consideration range fall within the range of premiums and discounts for other listed Office A-REITs which range from a 15.2% discount to a 14.0% premium, and a median premium of 1.2% (refer Appendix C).

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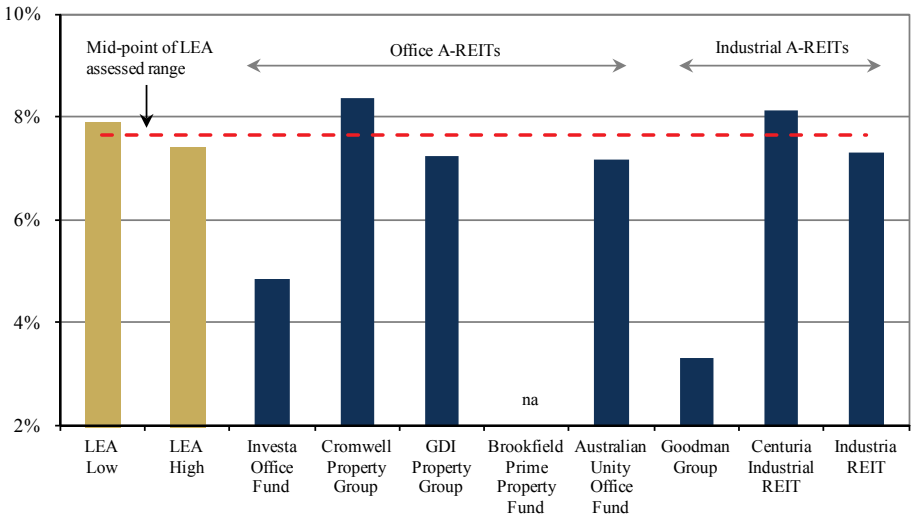
172 Pro-forma distributable earnings are forecast to be 18.6 cents per CMA security for FY18 however, no guidance as to the FY18 payout ratio has been provided. For the purposes of our cross-check we have assumed a payout ratio of 95.0%[68] (i.e. 17.7 cents per security), which implies a dividend yield of 7.4% to 7.9%. We have compared these metrics to CMA's A-REIT peers in the following chart:

Valuation cross-checks

FY18 distribution yield(1)(2)



Note:
1 The FY18 distribution yields implied by our valuation of CMA on a post-transaction basis are based upon an LEA assumed payout ratio of 95.0%.
2 A brief description of each REIT's operations is set out at Appendix C.
na – not available (as forecasts are unavailable).

173 In respect of the above, we note that the FY18 distribution yield implied by our valuation is consistent with the forecast FY18 yields for other listed Office and Industrial A-REITs which range from 3.3% to 8.4% with a median of 7.2% as set out in Appendix C.

174 We also set out below the one year forward distribution yield upon which CMA traded prior to the announcement of the Trust Scheme.

68 Representing the mid-point of CMA's 90% to 100% payout ratio policy on a standalone basis.

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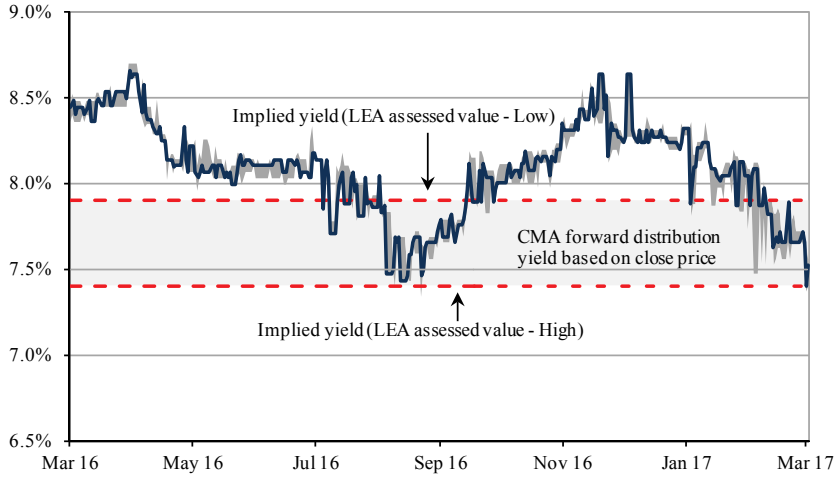
CMA – one year forward distribution yield[(1)(2)]
1 March 2016 to 2 March 2017



Note:
1 Forward distribution yield line based upon closing prices with shaded area around line representing the implied yield based upon intra-day high and low prices.
2 The FY18 distribution yields implied by our valuation of CMA on a post-transaction basis are based upon an LEA assumed payout ratio of 95.0%.
Source: Bloomberg and LEA analysis.

175 We note that CMA has (on a standalone basis) generally traded on a one year forward distribution yield of between 7.5% and 8.5%. We also note that CUA, on a standalone basis, generally traded on a one year forward distribution yield of 7.3% and 8.1%, i.e. marginally below that of CMA. Accordingly, on a blended basis, the yield for CMA on a post-transaction basis is likely to be marginally lower than CMA on a (pre-transaction) standalone basis. Our implied yields are consistent with this evidence.

176 Having regard to the above, we consider our valuation range to be reasonable and appropriate.

Assessed value of the Scheme Consideration

177 Based upon the above, we have assessed the value of the Scheme Consideration as follows:

Value of Scheme consideration

	Low $ per unit	High $ per unit
Assessed realisable value of CMA securities	2.25	2.40
Exchange ratio (times)	0.88	0.88
Assessed value of scrip component	1.98	2.11
Cash component	0.23	0.23
Assessed value of Scheme Consideration	**2.21**	**2.34**

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VIII Evaluation of the Trust Scheme

Summary of opinion

178 In our opinion, the Trust Scheme is fair and reasonable and in the best interests of Non-Associated CUA Unitholders, in the absence of a superior proposal.

179 We have formed this opinion for the following reasons.

Assessment of the Trust Scheme

Value of CUA (on a 100% controlling interest basis)

180 As set out in Section VI, we have assessed the value of CUA on a 100% controlling interest basis at between $2.10 and $2.31 per unit.

Value of Scheme Consideration

181 If the Trust Scheme is approved and implemented, CUA unitholders will receive 0.88 CMA securities and $0.23 cash per CUA unit they hold on the Scheme Record Date. We have assessed the value of the Scheme Consideration to be between $2.21 to $2.34 per CUA unit, comprising:

(a) a scrip component of $1.98 to $2.11 per CUA unit based upon an exchange ratio of 0.88 times and an assessed realisable value for CMA securities on a post-transaction basis of between $2.25 to $2.40 per security; and

(b) a cash component of $0.23 per CMA unit.

182 However, CUA unitholders should note that the listed market price of CMA securities is subject to daily fluctuation and accordingly, the price at which CMA securities may be sold (in the short-term) may therefore be greater or less than our assessed realisable value range. CUA unitholders should also note that it is not possible to accurately predict future security price movements and any decision to continue to hold CMA securities beyond the immediate to short-term is a separate investment decision which should be made by CUA unitholders having regard to their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. CUA unitholders should therefore seek independent professional advice specific to their individual circumstances if required.

Assessment of fairness

183 Pursuant to RG 111, the Trust Scheme is "fair" if the value of the Scheme Consideration is equal to, or greater than the value of the securities the subject of the Trust Scheme. This comparison is shown below:

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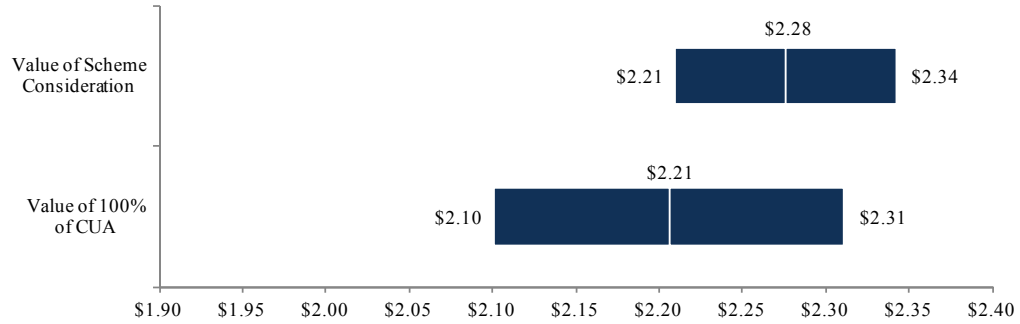
Assessment of fairness[1]



Note:
1 The white line positioned at the middle of our valuation range signifies the mid-point.

184 As the Scheme Consideration offered by CMA is consistent with and toward the higher end of our assessed value of 100% of the units in CUA, in our opinion, the Scheme Consideration is fair to CUA unitholders when assessed in accordance with the guidelines set out in RG 111.

Assessment of reasonableness

185 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Trust Scheme is "fair and reasonable" it must also be "in the best interests" of Non-Associated CUA Unitholders.

186 Consequently, in our opinion, the Trust Scheme is also "reasonable" and "in the best interests" of Non-Associated CUA Unitholders, in the absence of a superior proposal.

187 In assessing whether the Trust Scheme is reasonable and in the best interests of Non-Associated CUA Unitholders, LEA has also considered, in particular:

(a) the extent to which a control premium is being paid to CUA unitholders

(b) the value of the consideration offered by CMA relative to the consideration it paid for the 8.76% interest it acquired in CUA in January 2017

(c) the extent to which CUA unitholders are being paid a share of the synergies likely to be generated pursuant to the potential transaction

(d) the listed market price of CUA units, both prior to and subsequent to the announcement of the proposed Trust Scheme

(e) the likely market price of CUA units if the proposed Trust Scheme is not approved

(f) the value of CUA to an alternative offeror and the likelihood of a higher alternative offer being made for CUA prior to the date of the Trust Scheme meeting

(g) the advantages and disadvantages of the Trust Scheme from the perspective of the Non-Associated CUA Unitholders

(h) other qualitative and strategic issues associated with the Trust Scheme.

188 These issues are discussed in detail below.

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Extent to which a control premium is being paid

189 It is customary when assessing the merits of a proposed change of control transaction to assess the extent of the premium offered under the proposal by comparing the offer to the pre-bid market prices of the target company's securities.

190 Empirical evidence indicates that average premiums paid in successful takeovers in Australia generally range between 30% and 35% above the listed market price of the target company's shares three months prior to the announcement of the bid (assuming no speculation of the takeover is reflected in the pre-bid price). However, REITs (which generally passively hold a portfolio of properties) are quite different in character to industrial operating businesses and there is normally little justification for the payment of any material premiums over NTA value and/or pre-bid trading prices.

191 We have calculated the premium implied by our assessed value of the Scheme Consideration by reference to the market prices of CUA units prior to the announcement of the Trust Scheme, as shown below:

Implied offer premium relative to recent unit prices

	CUA unit price $	Assessed value of Scheme Consideration $	Implied control premium %
VWAP – 1 week to 2 March 2017(1)	2.25	2.21 to 2.34	(0.2) to 4.0
VWAP – 2 weeks to 2 March 2017(1)	2.25	2.21 to 2.34	(0.2) to 4.0
VWAP – 9 February 2017(2) to 2 March 2017(1)	2.25	2.21 to 2.34	(0.2) to 4.0

Note:
1 Being the last trading day prior to the announcement of the Trust Scheme.
2 Trading prior to this does not reflect the most recent upward revision to reported NTA per unit.

192 The Scheme Consideration implies a modest discount at the low end of the valuation range and a small premium at the high end of the valuation range. Whilst the premium is relatively small, we consider it reasonable given A-REITs normally do not attract the payment of any material premium for control (relative to NTA value and/or pre-bid trading prices) and that CUA is an externally managed, passive owner of a relatively small portfolio of metropolitan office properties and without any operating business[69].

Prior acquisitions of CUA units by CMA (and Centuria Capital)

193 CMA and Centuria Capital acquired 8.76% and 19.99% of CMA respectively in January 2017. The consideration paid by CMA and Centuria Capital was $2.25 cash per unit and corresponded with CUA's reported NTA balance as at 30 June 2016 (which was the latest available at the time the transaction was negotiated in late 2016).

194 Our assessed value of the Scheme Consideration is consistent with the $2.25 per unit cash consideration previously paid by CMA and Centuria Capital.

69 We also note that the traded price may have already reflected a controlling interest value as a result of the takeover speculation.

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Extent to which unitholders are being paid a share of synergies

195 The Notice of Meeting and Explanatory Memorandum identifies cost savings and synergies resulting from a reduction in RE fees, and duplicated general administrative and listing expenses, as well as economies of scale that the merged entity (i.e. CMA on a post-transaction basis) is expected to achieve. These savings total $0.4 million per annum (based on FY18). Net interest cost savings are also expected to arise as a result of the merged entity (i.e. CMA on a post-transaction basis) negotiating reduced debt margins with lenders.

196 We note that our assessed valuation of CUA incorporates an allowance for estimated public company cost savings as well as other additional savings that are likely to be available to a purchaser with a large existing portfolio of properties.

197 Given that our assessed value of the Scheme Consideration is consistent with and toward the higher end of assessed value of 100% of the units in CUA, in our view it would appear that a proportion of the synergy benefits to be realised by CMA are being reflected in the Scheme Consideration.

Recent unit prices subsequent to the announcement of the Trust Scheme

198 CUA unitholders should note that CUA units have traded on the ASX in the range of $2.17 to $2.34 per unit (VWAP of $2.25 per unit) in the period since the announcement of the Trust Scheme on 3 March 2017 through to 8 May 2017. CMA securities have traded on the ASX in the range of $2.23 to $2.40 per unit (VWAP of $2.35 per unit) over the same period.

199 After adjusting for the cash component, the exchange ratio implied by the relative VWAPs of 0.86 times is marginally less than the terms of the Trust Scheme (0.88 times) and suggests that the market consensus view is that a superior offer or proposal is unlikely to emerge.

Likely price of CUA units if the Trust Scheme is not implemented

200 In our opinion, if the Trust Scheme is not implemented and no higher offer or alternative proposal emerges, it is likely (at least in the short-term) that CUA units will trade at a discount to the high end of our assessed value of the Scheme Consideration (which is consistent with our assessment that the Scheme Consideration provides CUA unitholders with a small premium relative to the market prices of CUA prior to the announcement of the Trust Scheme).

201 In the relatively short period immediately prior to the announcement of the Trust Scheme, CUA units traded at a modest 0.9% discount to underlying NTA per unit[70]. We also note that CUA has historically traded at a discount to NTA (which, in our view, is consistent with it being an externally managed passive owner of property with no operating business). Accordingly, in the event the Trust Scheme is not implemented and no higher offer or alternative proposal emerges, units in CUA may (at least in the short-term) continue to trade at a small discount to underlying NTA ($2.27 per unit as at 31 December 2016). However, we note that CUA has historically traded at larger discounts to NTA[71] (which, in our view, is

70 Being for the period 9 February 2017 to 2 March 2017 (inclusive), based upon reported NTA of $2.27 per unit and VWAP of $2.25 per unit.

71 For example, during the period 17 August 2016 to 8 February 2017 (inclusive) the observed VWAP was a 3.1% discount to NTA (of $2.25), during the period 17 May 2016 to 16 August 16 (inclusive) the observed VWAP was a 1.6% discount to NTA (of $2.28) and during the period 18 February 2016 to 16 May 2016 (inclusive) the observed VWAP was a 3.9% discount to NTA (of $2.11).

consistent with it being an externally managed passive owner of property with no operating business) and that there is a risk that CUA reverts to trading on this basis.

Likelihood of an alternative offer

202 We have been advised by the Independent Directors of CPF2L that no formal alternative offers have been received subsequent to the announcement of the Trust Scheme on 9 February 2016.

203 In addition we note that:

(a) CMA and Centuria Capital hold a combined 28.8% interest in CUA. Whilst this combined interest is sufficient to block a (Corporations Act Chapter 6) takeover offer (and may therefore act as a deterrent to a potential third party acquirer), we note that CMA / Centuria Capital may however be prevented from voting on a third party trust scheme takeover offer by virtue of s253E of the Corporations Act

(b) as a condition of the Trust Scheme, CPF2L (as RE to CUA) has, subject to its normal fiduciary obligations, undertaken not to solicit, initiate, invite, encourage or participate in any potential competing transaction. It should also be noted that CPF2L must notify CMA if it receives a superior competing proposal and give CMA five business days to match that competing proposal

(c) in the event that a competing proposal substantially completes within three months after the End Date, CUA must pay CMA an amount equal to its costs (up to a maximum of $0.5 million).

204 Although it is possible that an alternate offer may emerge, the factors set out above, in our opinion, diminish the likelihood of this occurring.

Pro-forma impact on earnings, distributions, NTA and gearing

205 Based upon a CMA security price in the range of $2.25 to $2.40 and the pro-forma analysis for CMA (i.e. on a post-transaction basis) set out in the Notice of Meeting and Explanatory Memorandum, CUA unitholders are likely to experience an increase in distributable earnings and distributions but a marginally decreased NTA per unit (on an equivalent basis). Our calculations are shown below:

Pro-forma impact on earnings, distributions and NTA (on an equivalent basis)[1]

	Distributable earnings per security[2]		Distributions per security[2][3]		NTA per security[4]	
	Low Cents	High Cents	Low Cents	High Cents	Low $	High $
CUA standalone	15.0	15.0	14.0	14.0	2.27	2.27
CMA (pro-forma)	18.6	18.6	17.7	17.7	2.29	2.29
Exchange ratio (including cash)[5]	0.976	0.982	0.976	0.982	0.976	0.982
CUA equivalent	18.2	18.2	17.2	17.3	2.23	2.25
Increase / (decrease) per CUA unit						
Absolute	3.2	3.2	3.2	3.4	(0.04)	(0.02)
Percentage	21.0%	21.8%	23.2%	24.0%	(1.6%)	(0.9%)

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Note:
1 Rounding differences may exist.
2 Based upon forecast results for FY18.
3 CMA (pro-forma) distributions are based upon an assumed payout ratio of 95%, as no payout ratio has been disclosed in the Notice of Meeting and Explanatory Memorandum.
4 As at 31 December 2016.
5 Being the sum of the scrip component of 0.88 CMA securities plus the $0.23 cash component which is assumed to be reinvested in CMA securities at a price of $2.25 to $2.40 (i.e. a further 0.102 to 0.096 CMA securities).

206 However, it should be noted that the above pro-forma analysis is based on the underlying assumptions adopted by CMA[72] as well as the CMA security price that has been used for the assumed reinvestment of the cash component. Accordingly, the actual impact on distributable earnings, distributions and NTA per unit (on a CUA unit equivalent basis) may lie outside the ranges set out above.

207 Whilst NTA per security (for CUA unitholders) decreases, the dilution is relatively minor and, in our opinion, is offset by the value of the synergies and other strategic benefits (such as lower single building and tenant concentration risks) that are likely to be realised from the transaction. Furthermore, whilst CMA's pro-forma gearing (i.e. on a post-transaction basis) is higher than that which CUA unitholders are currently exposed (30.2% versus 18.6%[73]), the pro-forma level remains within CMA's target gearing range of 25% to 35%.

Interest in a larger more diversified entity

208 If the Trust Scheme is approved and implemented, CUA unitholders will hold securities in a much larger, more geographically diverse office property focussed REIT (with 89% office property and 11% industrial property) that has lower single building and tenant concentration risk.

209 The market capitalisation of CMA (on a post-transaction basis) is likely to position it for inclusion within the S&P / ASX 300 Index and it will become one of the largest metropolitan focuses REITs listed on the ASX. This may attract greater analyst coverage and enhance its profile, particularly with institutional investors, and provide for increased liquidity and greater trading depth than that currently experienced by CUA unitholders.

210 CMA (on a post-transaction basis) may also have improved access to both debt and equity capital on possibly more attractive terms, compared with those currently available to either CUA or CMA (on a standalone basis).

211 While it is difficult to predict the impact of these factors over time, there is at least some basis for expecting that they may support a positive re-rating of the securities in CMA over the medium to long-term.

72 And LEA, in respect of the payout ratio.
73 Refer to paragraph 163.

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Tax considerations

212 The disposal of units by CUA unitholders will constitute a capital gains tax (CGT) event. CUA unitholders may make a capital gain or loss if the Scheme Consideration is greater than or less than the reduced cost base of their units[74].

213 For those CUA unitholders making a capital gain as a result of the implementation of the Trust Scheme, partial scrip-for-scrip rollover relief should be available with respect to the value of the CMA units received as part of the Scheme Consideration. We note that a Class Ruling has been requested from the Commissioner of Taxation in this regard. Further information on these taxation consequences of the Trust Scheme, is set out in Section 11 of the Notice of Meeting and Explanatory Memorandum.

214 Following completion of the Trust Scheme, CUA unitholders will have an interest in a different mix of underlying property assets. The new underlying properties will have different income tax and CGT characteristics to those presently held. Accordingly, the mix of taxable and tax deferred annual distributions may change as will CUA unitholder's exposure to CGT liabilities (when and if, the underlying properties are sold by the trust). As at 31 December 2016, CMA (excluding 14 Mars Road, Lane Cove, NSW) had a larger proportion of unrealised capital gains than CUA on a per security / unit basis. Consequently, if the Trust Scheme is approved, CUA unitholders will (on equivalent basis) have an increased exposure to unrealised capital gains on underlying properties. However, the future tax impost on CUA unitholders of the trust selling the underlying properties depends on a number of factors, including:

(a) date of sale and the number of properties sold (noting that CPFL has no present intention to sell any of the CMA investment properties in the short-term[75])

(b) the future value of CMA's property portfolio and the capital gains actually realised

(c) whether CUA securityholders continue to retain their interest in the merged entity (i.e. CMA on a post-transaction basis) at the time any capital gain is realised

(d) the individual unitholder's tax position at the time the properties are sold.

215 Any decision to continue to hold CMA securities beyond the immediate to short-term is a separate investment decision which should be made by CUA unitholders having regard to, amongst other things, the taxation implications that will arise following completion of the Trust Scheme.

74 That is, the cost of acquiring the units (including transaction costs) adjusted for any tax deferred distributions received from CUA.

75 We note that the settlement of the sale of 14 Mars Road, Lane Cove, NSW occurred on 31 March 2017 and the capital gain (net of available capital losses) on sale will be included in CMA's June quarter distribution which will be paid to CMA unitholders prior to the implementation of the Trust Scheme.

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Other qualitative and strategic issues

216 Other qualitative and strategic issues associated with the Trust Scheme include:

(a) **future control premium** – CUA unitholders retain the opportunity to realise a control premium through a change of control transaction involving CMA (i.e. on a post-transaction basis) at some time in the future. That said, control premiums paid for REITs are not generally large and there can be no assurance that such an opportunity will arise

(b) **integration risks** – the acquisition of CUA by CMA remains subject to integration risks including the integration of information, accounting and property management systems. Further, tenants may have issues with the change in management. These risks may divert management's attention from the day-to-day operations and result in disruption to revenue streams and operations and/or limit and/or delay the cost savings and synergies identified

(c) **exposure to CMA property portfolio** – some CUA unitholders may not want to acquire an economic exposure to the CMA property portfolio. However, these CUA unitholders will have an opportunity to sell their units either prior to or post the implementation of the Trust Scheme. In that context, we note that CUA units have traded at prices which are consistent with those that prevailed immediately prior to the announcement of the Trust Scheme.

Summary of opinion on the Trust Scheme

217 We summarise below the likely advantages and disadvantages for Non-Associated CUA Unitholders if the Trust Scheme proceeds:

Advantages

(a) our assessed value of the Scheme Consideration of $2.21 to $2.34 per unit is consistent with and toward the high end of our assessed value range for CUA units on a 100% controlling interest basis (and is consistent with the $2.25 per unit cash consideration paid by CMA and Centuria Capital for their combined 28.8% interest in CUA in January 2017)

(b) if the Trust Scheme is approved and implemented, CUA unitholders will hold securities in a much larger, more geographically diverse office property focussed REIT that has lower single building and tenant concentration risk and enhanced earnings and distributions. CMA (on a post-transaction basis) is also likely to have greater trading depth and liquidity than that currently experienced by CUA unitholders

(c) CUA unitholders retain the opportunity to realise a control premium through a change of control transaction involving CMA (i.e. on a post-transaction basis) at some time in the future. That said, control premiums paid for REITs are not generally large and there can be no assurance that such an opportunity will arise

Disadvantages

(d) CMA's pro-forma gearing (i.e. on a post-transaction basis) is higher than that which CUA unitholders are currently exposed (30.2% versus 18.6%), however, the pro-forma level remains within CMA's target gearing range of 25% to 35%

(e) some CUA unitholders may not want to acquire an economic exposure to the CMA property portfolio. However, these CUA unitholders will have an opportunity to sell their units either prior to or post the implementation of the Trust Scheme. In that context, we note that CUA units have traded at prices which are consistent with those that prevailed immediately prior to the announcement of the Trust Scheme.

218 Given the above analysis, we consider the acquisition of CUA units under the Trust Scheme is fair and reasonable and in the best interests of Non-Associated CUA Unitholders, in the absence of a superior proposal.

Other matters

219 CUA unitholders should note that on a post-transaction equivalent basis they will increase their exposure to unrealised capital gains on underlying properties[76]. However, the future tax impost on CUA unitholders of the trust selling the underlying properties depends on a number of factors, including the date of sale and the number of properties that are sold (noting that CPFL has no present intention to sell any of the CMA investment properties in the short term), whether CUA unitholders continue to hold an interest in CMA at the time the property / properties are sold and the individual unitholder's tax position at that time.

220 Any decision to continue to hold CMA securities beyond the immediate to short-term is a separate investment decision which should be made by CUA unitholders having regard to, amongst other things, the taxation implications that will arise following completion of the Trust Scheme.

76 This is because as at 31 December 2016, CMA (excluding 14 Mars Road, Lane Cove, NSW) had a larger proportion of unrealised capital gains than CUA on a per security / unit basis.

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Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting and Explanatory Memorandum to be sent to CUA unitholders in connection with the Trust Scheme.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

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

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER 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.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $135,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

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Appendix A

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12 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.

13 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 Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

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Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of units and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Nathan Toscan and Ms Julie Planinic, who are each authorised representatives of LEA. Mr Toscan and Ms Planinic have over 15 years and 19 years' experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Directors of CUA to accompany the Notice of Meeting and Explanatory Memorandum to be sent to CUA unitholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Trust Scheme is fair and reasonable and in the best interests of Non-Associated CUA Unitholders.

Interests

4 At the date of this report, neither LEA, Mr Toscan nor Ms Planinic have any interest in the outcome of the Trust Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 LEA has previously prepared a number of IERs for the 360 Capital Group (e.g. the August 2013 IER on the 360 Capital Group's merger with the Trafalgar Corporate Group). These independent reports were prepared during the period April 2011 and August 2013. LEA also prepared the IER and Collateral Benefits report for the acquisition of CUA units by CMA and Centuria Capital Limited in December 2016. We have considered the matters described in RG 112 (Part C), and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

6 As a condition of LEA's agreement to prepare this report, CUA agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of CUA which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

7 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum.

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Trading evidence – A-REITs

1 We set out below the trading evidence for a number of selected ASX listed A-REITs (with a brief description of each entity following):

Selected listed A-REIT multiples[1]

	Property management	Market cap A$m	Gearing[2] %	Distribution yield[3] Historic FY16 %	Forecast FY17 %	Forecast FY18 %	Premium / (discount) to NTA %
CMA[4]	External	279	38.7	7.3	7.5	7.6	0.9
CUA[4]	External	166	20.6	7.5	7.1	7.1	(0.4)
Diversified A-REITs							
DEXUS Property Group	Internal	9,921	22.4	4.2	4.4	4.5	27.3
Charter Hall Group[5]	Internal	2,689	0.6	4.6	5.1	5.3	96.1
Growthpoint	Internal	2,163	39.4	6.3	6.6	6.6	24.0
Abacus Property Group	Internal	1,968	8.0	5.0	5.2	5.3	17.6
Aspen Group	Internal	110	(43.8)	8.6	4.2	6.0	(2.2)
Office A-REITs							
Investa Office Fund[6]	External	2,628	25.2	4.6	4.7	4.8	1.2
Cromwell Property Group	Internal	1,724	36.5	8.4	8.3	8.4	14.0
GDI Property Group	Internal	566	7.2	7.4	7.6	7.2	(2.1)
Brookfield Prime Property Fund[7]	External	368	42.9	2.7	na	na	(15.2)
Australian Unity Office Fund	External	298	28.7	4.4	7.1	7.2	1.9
Industrial A-REITs							
Goodman Group[5]	Internal	14,724	7.1	2.9	3.1	3.3	94.1
Centuria Industrial REIT	External	534	42.1	8.6	8.3	8.1	6.8
Industria REIT	External	364	30.6	7.0	7.2	7.3	7.2

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Note:
1 Above calculated as at 5 May 2017, unless stated otherwise.
2 Gearing equals net debt divided by enterprise value. Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), preference shares, convertible notes, net derivative liabilities, market capitalisation adjusted for material option dilution and excludes surplus assets.
3 Excludes capital returns and special distributions.
4 Trading evidence for CMA and CUA is calculated as at 2 March 2017 (being the last day of trading prior to the announcement of the Trust Scheme).
5 Charter Hall Group and Goodman Group have large fund management operations.
6 Trading evidence calculated as at 29 November 2016. On 30 November 2016, Investa received an unsolicited, highly conditional, non-binding and indicative cash offer of $4.45 per unit from Cromwell. On 4 April 2017, the indicative offer was increased to $4.85 per unit (inclusive of an anticipated half-yearly distribution of $0.10). Whilst Investa and Cromwell have engaged in discusses regarding the indicative offer, no formal proposal had eventuated prior to the date of this report. The implied distribution yields for the indicative offer for FY17 and FY18 are 4.2% and 4.4% respectively and the discount to pro-forma NTA as at 31 December 2016 (adjusted for updated independent property valuations undertaken as at 30 April 2017) is 0.8%.
7 Trading evidence for the fund is calculated as at 6 April 2017. Brookfield Prime Property Fund received a proposal from Brookfield BPPF Investments to acquire all of the units in the fund that it did not already own by way of a trust scheme on 7 April 2017. We note that the offer price of $8.815 per unit (adjusted for the declared March 2017 distribution of $0.075) implies a discount of 0.3% to the reported 31 December 2016 NTA of $8.84 per unit.

Source: Bloomberg, company announcements and LEA analysis.
na – not available.

Diversified A-REITs

DEXUS Property Group (DEXUS)

2 DEXUS is one of Australia's largest real estate groups, with operations covering the development, management and ownership of office and industrial properties. As at 31 December 2016, the group had assets under management of $22.7 billion, comprising its directly owned office and industrial property ($11.0 billion) and property managed for third party clients ($11.7 billion)[77]. The group's directly owned office portfolio is valued at around $9.2 billion with 1.5 million square metres across office properties situated in the CBDs of Sydney (where it is the largest institutional owner of office buildings), Melbourne, Brisbane, Perth, Adelaide and Canberra. In addition, DEXUS actively manages office, industrial and retail properties across Australia on behalf of third party capital partners.

Charter Hall Group

3 Charter Hall Group is a property fund manager and developer managing a suite of institutional, wholesale and retail unlisted property funds (office, retail, industrial and residential) in which it also holds investments. The group's funds management portfolio includes $19.0 billion of property assets (as at 31 December 2016), comprised of 314 office, retail and industrial properties located across every state and territory in Australia. Its investment portfolio totals $1.3 billion, with 276 properties covering the industrial, office and retail property sectors (as at 31 December 2016).

77 The group also has a $4.5 billion development pipeline ($2.0 billion of owned property and $2.5 billion for third party clients).

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Growthpoint

4 Growthpoint is an ASX listed landlord with a mandate to invest in Australian office, industrial and retail property, with a portfolio currently worth $3.2 billion. As at 31 December 2016, the group's portfolio comprised 59 industrial and office properties across Australia. Growthpoint recently completed a $321 million takeover of GPT Metro Office Fund in October 2016, which added six A-grade office assets valued at approximately $440.3 million.

Abacus Property Group

5 Abacus Property Group is a diversified property investment group with property investment, funds management and property development operations. It owns a diversified investment portfolio of office, storage, industrial and retail properties with a book value of $1.7 billion (as at 31 December 2016) located in NSW, Victoria, the ACT, South Australia, Queensland and New Zealand. In addition, the group manages assets on behalf of third party investment partners, and it had a total of $492 million in development and financing projects as at 31 December 2016.

Aspen Group

6 Aspen Group is a property group focused on servicing the accommodation sector. The group's current portfolio comprises eight tourism, retirement and corporate accommodation parks across Australia, as well as the Spearwood South industrial property in Perth. As at 31 December 2016, gross asset value of the group's property portfolio was approximately $110 million[78]. During FY16, Aspen Group sold its 42% interest in, and management rights to, the Aspen Parks Property Fund for a combined consideration of some $66 million.

Office A-REITs

Investa Office Fund

7 Investa is an ASX listed REIT that holds some $3.8 billion assets under management and 22 office properties located in core CBD markets throughout Australia (as at 31 December 2016). Its properties are predominantly located in Sydney (61% of total assets), with Melbourne (19%) and Brisbane (14%) its next largest locations. Its tenant register is predominantly comprised of government and blue chip tenants. The fund is externally managed by Investa Listed Funds Management Limited.

8 On 30 November 2016, Investa stated that it had received a highly conditional, non-binding and indicative letter from Cromwell regarding a possible all cash arrangement to acquire 100% of the units in Investa at a price of $4.45 per unit. Investa and Cromwell were subsequently engaged in discussions and on 7 April 2017, Cromwell put forward an unsolicited, non-binding and indicative offer to acquire Investa at a revised price of $4.85 per unit (inclusive of an anticipated half-yearly distribution of $0.10 per unit). Cromwell has since been granted access to undertake due diligence, however, no formal proposal had eventuated as at the date of this report.

78 Includes two tourism properties which were subject to purchase contracts as at 31 December 2016, and excludes property assets held for sale.

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9 Further, we note that Investa completed an operational and governance review regarding its relationship with the Investa Commercial Property Fund (ICPF) in April 2017. The review culminated in the decision to progress with a joint venture arrangement with ICPF whereby Investa would acquire a 50% interest in the Investa Office Management platform for $45 million. Intended benefits of the joint venture arrangement include access to additional income streams through funds and direct property mandates and partnership opportunities with wholesale institutions and ICPF. Investa intends to put a formal proposal to unitholders by the end of May 2017.

Cromwell Property Group

10 Cromwell is a global real estate investment manager. The group has an Australian direct property investment portfolio of some $2.4 billion as well as total assets under management of $9.8 billion across Australia, New Zealand and Europe (as at 31 December 2016). A large portion of Cromwell's property portfolio is focused towards the office sector, with many properties internally managed.

GDI Property Group

11 GDI Property Group is an integrated internally managed property and funds management group with capabilities in ownership, management, refurbishment, leasing and syndication of office properties. The group currently owns a portfolio of office properties in Sydney, Perth, Townsville and Surfers Paradise with a combined book value of approximately $676 million (as at 31 December 2016), and manages a number of unlisted and unregistered managed investment schemes.

Brookfield Prime Property Fund

12 Brookfield Prime Property Fund is an office property fund listed on the ASX. The fund owns 100% of American Express House, 12 Shelley Street, Sydney and 50% of both 680 George Street / 50 Goulburn Street, Sydney and 108 St Georges Terrace, Perth. In total, the fund has some $761 million in assets under management with a portfolio weighted average lease expiry of approximately 4.7 years (as at 31 December 2016). The fund is externally managed by Brookfield Capital Management Limited.

13 On 7 April 2017, the fund announced the receipt of a proposal from Brookfield BPPF Investments to acquire all of the units in the fund that it did not already own by way of a trust scheme. The adjusted offer price under the proposal is $8.815 per unit which excludes the announced March 2017 distribution of $0.075 per unit. We note that the transaction was still pending as at the date of this report.

Australian Unity Office Fund

14 Australian Unity Office Fund is an ASX listed REIT that owns eight office properties located across metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra. As at 30 June 2016, the Australian Unity Office Fund's property portfolio had a combined value of some $413 million, with a diversified income profile and a weighted average lease expiry of 4.5 years. The fund is externally managed by Australian Unity Investment Real Estate Limited.

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Industrial A-REITs

Goodman Group

15 Goodman Group is an integrated property group with operations throughout Australia, New Zealand, Asia, Europe, the United Kingdom, North America and Brazil. The group is the largest industrial property group listed on the ASX and is one of the largest listed specialist investment managers of industrial property globally. Goodman Group's operations are spread across property investment, investment management and property services, and property development, and it owns a $2.4 billion investment property portfolio (as at 31 December 2016).

Centuria Industrial REIT

16 Centuria Industrial REIT (previously 360 Capital Industrial Fund) is an externally managed REIT that listed on the ASX on 13 December 2012. Centuria Industrial REIT focuses on passive rent collection from acquiring warehouse and logistics properties in Australia. As at 31 December 2016, its property portfolio comprised 37 industrial properties geographically diversified across Australia, and was valued at $912 million. The fund is externally managed by CPF2L.

Industria REIT

17 Industria REIT is an ASX listed REIT that owns interests in office and industrial properties that provide functional and affordable workspaces for business. The REIT's $552 million portfolio of 15 properties is geographically diversified across the major Australian cities. Industria REIT is externally managed by APN Property Group and governed by a majority independent board.

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Transaction evidence – A-REITs

1 A selection of relevant transactions from early 2009 (i.e. post the global financial crisis) involving A-REITs for which financial information is available is set out below (with a brief description of each of the transactions and target entities following):

Transaction multiples – A-REITs

Date[1]	Target	Acquirer	Value[2] A$m	Distribution yield[3] Historic %	Distribution yield[3] Forecast %	Premium / (discount) to NTA[4] %
Diversified A-REITs						
Jun 14	Australand Property Group	Frasers Centrepoint	2,606.3	4.8	5.7	21.7
Apr 14	Challenger Diversified Property Group	Challenger Aust Prop Holding Trust	586.6	6.5	6.8	1.1
Apr 12	Thakral Holdings	Brookfield Asset Mgmt	506.7	na	7.9	(12.9)
Apr 11	Valad Property[5]	Blackstone Real Estate	208.4	na	na	(22.4)
Apr 11	Rabinov	Growthpoint	49.6	9.2	na	(4.3)
Oct 09	Mirvac REIT	Mirvac	335.6	5.9	6.0	(29.9)
Non-diversified A-REITs						
Nov 16	360 Capital Office Fund[6]	Centuria Capital Group	164.9	7.6	7.6	-
Nov 16	360 Capital Industrial Fund[7]	Centuria Capital Group	529.9	8.6	8.6	7.8
Jul 16	GPT Metro Office Fund	Growthpoint	321.3	6.1	6.2	6.4
Nov 15	Aspen Property Parks Fund	Discovery Parks Group	146.6	6.3	6.3	36.3
Feb 15	Novion Property Group	Federation Centres	7,846.1	5.3	5.4	29.4
Dec 14	Australian Industrial REIT	360 Capital Industrial Fund	210.2	8.4	8.9	12.5
Nov 14	Folkestone Social Infrastructure Trust	Folkestone Education Trust	89.4	6.4	6.7	4.8
Sep 14	Mirvac Industrial Trust	Goldman Sachs Group	77.6	na	na	3.9
Dec 13	Commonwealth Property Office Fund	DEXUS / CPPIB Consortium	3,114.1	5.3	5.5	5.8
Dec 13	Westfield ANZ	Westfield Retail Trust	8,326.9	na	na	42.5
Feb 12	Tishman Speyer Office Fund	TS US Office Holdings GP	313.3	na	na	18.2
Jan 12	Abacus Storage Fund	Abacus Property	132.6	7.4	na	(8.1)
Jan 12	Charter Hall	Consortium	1,228.4	8.1	5.8	(4.0)
Oct 10	ING Industrial Fund[5]	Consortium (Goodman)	1,394.4	3.0	6.0	(3.9)
May 10	MacarthurCook IPF	CommonWealth REIT	43.3	4.5	4.5	(30.7)
Apr 10	Westpac Office Trust	Mirvac	399.0	8.0	na	(1.5)
May 09	Orchard IPF	Growthpoint	255.4	20.6	8.8	(11.1)

Note:
1 Date of announcement.
2 Implied value of 100% if transaction does not already involve an acquisition of 100%.
3 Excludes returns of capital and special distributions.
4 Based upon last publicly reported NTA prior to completion of the transaction.
5 Valad and ING Industrial Fund both had substantial funds management operations at the date of the transaction.
6 Subsequently renamed to Centuria Urban REIT (i.e. CUA).
7 Subsequently renamed to Centuria Industrial REIT.
Source: Bloomberg, ASX announcements, IERs, press articles and LEA analysis.
na – not available.

Diversified A-REITS

Acquisition of Australand Property Group by Frasers Centrepoint Limited

2 On 1 July 2014, Australand Property Group entered into a bid implementation agreement with Frasers Centrepoint whereby Australand Property Group securityholders would receive $4.48 cash consideration per stapled security. Australand Property Group was one of

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Australia's leading diversified property groups with an industrial and office property portfolio of $2.4 billion. The group was also involved in the development and construction of commercial, industrial and residential properties which accounted for almost 40% of operating EBIT in the year prior to the transaction.

Acquisition of Challenger Diversified Property Group (CDI) by Challenger Australia Listed Property Holding Trust (Challenger Australia)

3 On 11 April 2014, Challenger Australia (a related entity of Challenger Life Company Limited (Challenger Life)), a wholly owned subsidiary of ASX listed company Challenger Limited) announced a cash offer to acquire all units in CDI for $2.74 per CDI unit. At the time of the offer, Challenger Life held 58.7% of the units in CDI. CDI was a diversified A-REIT with interests in 27 office, retail and industrial properties located in Australia and France with a carrying value of $867 million. Its portfolio of properties was predominately located in Australia (93%) and was geographically diversified across all six states.

Takeover offer for Thakral Holdings Group by Brookfield Asset Management Inc.

4 On 19 April 2012, Brookfield Asset Management made a conditional off-market all cash takeover offer for Thakral Holdings Group at $0.70 per fully paid stapled security, less any dividend or distribution paid. Brookfield Asset Management increased this to $0.81 per fully paid stapled security on 27 August 2012, subject to reaching 90% acceptance of the offer. Thakral Holdings Group was an ASX listed property owner and developer. Its portfolio included hotels, retail and commercial assets and property development projects with a total book value of approximately $1 billion.

Blackstone Real Estate LLC's acquisition of Valad Property Group

5 On 29 April 2011, Valad Property Group announced that it had entered into an agreement with Blackstone Real Estate for the acquisition of all the stapled securities in Valad Property Group for $1.80 per security by way of a scheme of arrangement. At the time of acquisition Valad Property Group was a diversified ASX listed real estate company that owned some $0.7 billion of direct property, with a funds management operation that oversaw a real estate portfolio worth around $7.2 billion (with some $6.4 billion of this located in Europe).

Growthpoint acquisition of Rabinov Property Trust

6 On 13 April 2011, Growthpoint Australia Properties Limited in its capacity as RE for Growthpoint made a takeover offer for all the units in Rabinov Property Trust. Under the offer, Rabinov unitholders received 0.48 Growthpoint shares and a special distribution of 2.3 cents for each unit held in Rabinov Property Trust. At the time of the acquisition Rabinov owned a diversified portfolio of office, retail and industrial properties across Victoria, Tasmania, South Australia and Queensland.

Mirvac Group's acquisition of Mirvac Real Estate Investment Trust (MREIT)

7 On 12 October 2009, MREIT announced that it had received a proposal from Mirvac Group for the acquisition of all the issued units in MREIT. MREIT unitholders were provided with a choice of consideration, either all scrip (being one Mirvac share for every unit held) or a mix of cash and scrip (being $0.50 cash per unit held, up to 20,000 units, plus one Mirvac share for every three units held in excess of 20,000 units). MREIT unitholders were also entitled to

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a special distribution of 1.0 cent per unit. At the date of acquisition MREIT was a diversified real estate investment trust with a portfolio consisting of commercial, retail, industrial and hotel properties.

Non-diversified A-REITS

Acquisition of 360 Capital Office Fund and 360 Capital Industrial Fund by Centuria Capital Group

8 On 23 November 2016, Centuria Capital Group announced that it had entered into a transaction to acquire 360 Capital Group's 15.6% stake in the 360 Capital Industrial Fund and its 28.8% stake in the 360 Capital Office Fund at a price of $2.50 and $2.25 per unit respectively. The transactions were conditional upon (inter alia) the acquisition by Centuria Capital Group of 360 Capital Group's investment management platform. The 360 Capital Industrial Fund (subsequently renamed to Centuria Industrial REIT) is an externally managed ASX listed REIT with a focus on warehouse and logistics properties in Australia. As at 30 June 2016, the fund's portfolio comprised 37 properties which were valued at some $905 million.

9 360 Capital Office Fund (subsequently renamed to Centuria Urban REIT, i.e. CUA) focuses on office properties in the $30 million to $100 million range, with a focus on yield and security of income. As at 30 June 2016, its portfolio consisted of three A-grade suburban offices properties (two in Brisbane and one in Melbourne) and was valued at some $208 million.

Acquisition of GPT Metro Office Fund by Growthpoint

10 On 1 July 2016, Growthpoint made an offer to acquire all the units in GPT Metro Office Fund. This offer gazumped Centuria Metro REIT's offer announced on 16 June 2016, which included consideration of $0.31 cash and one Centuria Metro REIT stapled security per GPT Metro Office Fund unit. Under the successful Growthpoint offer, GPT Metro Office Fund unitholders received 0.3968 Growthpoint stapled securities and $1.25 cash per unit. GPT Metro Office Fund was an externally managed ASX listed REIT offering investors exposure to a $439.3 million portfolio of six office properties located in Sydney, Melbourne and Brisbane.

Acquisition of Aspen Parks Property Fund (APPF) by Discovery Parks Group

11 On 14 September 2015, Aspen Group and APPF announced that they had entered into an agreement to merge the two groups. Under the agreement APPF securityholders would receive $0.50 per APPF security and could elect to receive the consideration in cash, scrip or a combination of both. On 26 October 2015, Discovery Parks Group announced a competing off-market takeover for APPF for cash consideration of $0.58 per APPF security. In order to secure the asset, on 20 November 2015, Discovery Parks Group increased its offer to $0.63 per APPF security. At the time of the acquisition APPF owned and operated a $223.1 million portfolio of 21 accommodation style properties throughout Australia.

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Merger of Novion Property Group (Novion) and Federation Centres

12 On 3 February 2015, Novion and Federation Centres announced that they had entered into an agreement to merge the two groups. Under the agreement Novion securityholders would receive 0.8225 Federation Centres stapled securities per Novion security. At the time of the merger Novion was one of Australia's largest retail property groups with a fully integrated funds and asset management platform and $14.9 billion in retail assets under management. Novion held interests in 27 retail assets across Australia valued at $9.1 billion and was internally managed.

Acquisition of Australian Industrial REIT (ANI) by Industrial Fund

13 On 19 December 2014, ANI announced that it had received an unsolicited off-market all scrip takeover offer from 360 CIML as RE for the Industrial Fund to acquire all of the units in ANI. Under the offer ANI unitholders would receive 0.89 Industrial Fund units for every ANI unit and an additional 3.0 cents per unit if 360 CIML was appointed RE of ANI or if in excess of 50% ANI unitholders accept the offer. This offer was subsequently increased a number of times over the following nine months, while ANI concurrently solicited other bidders. On 22 September 2015 Industrial Fund increased its offer to 0.90 Industrial Fund units and 24.5 cents cash per ANI unit[79], as well as a further 4.84[80] cents cash per ANI unit for unitholders who accepted before 12 October 2015. At the time of the acquisition ANI was an Australian REIT that held a $330.1 million portfolio of 16 industrial properties located across Sydney, Melbourne and Perth.

Merger of Folkestone Social Infrastructure Trust (FST) with Folkestone Education Trust (FET)

14 On 13 November 2014, FST announced that it had entered into a merger agreement with FET, by way of a trust scheme under which FET would acquire FST. Under the merger FST unitholders would receive 1.32 FET units plus cash consideration of $0.675 for every FST unit (implying a value of $3.14 per FST unit). FST was an externally managed ASX listed REIT that invested in Australian social infrastructure property and securities. At the time of the proposed merger FST held 49 properties, with property assets geographically diversified across Australia, with a value of $93.3 million.

Acquisition of Mirvac Industrial Trust (MIX) by the Goldman Sachs Group

15 On 19 September 2014, MIX announced that it had entered into a Scheme Implementation Agreement with Austfunding Pty Ltd, a wholly owned subsidiary of Goldman Sachs Group under which Goldman Sachs Group would acquire all of the units in MIX. Under the offer, MIX unitholders would receive a cash payment of $0.214 per MIX unit (based on an A$/US$ exchange rate of 0.8973). MIX was an externally managed industrial property trust listed on the ASX that owned a portfolio of industrial properties in the greater Chicago metropolitan region in the US. At the time of the acquisition MIX owned 24 B-grade industrial properties with a book value of US$164.0 million.

79 14.5 cents per unit to be paid by Industrial Fund and 10.0 cents per ANI unit to be paid by 360 Capital.

80 Being the ANI equivalent of the Industrial Fund's September distribution.

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Acquisition of Commonwealth Property Office Fund (CPA) by DEXUS / Canada Pension Plan Investment Board (CPPIB) Consortium

16 On 11 December 2013, DEXUS and CPPIB announced a joint cash and scrip off-market takeover offer to acquire all of the issued units in CPA (the consideration for which was varied on 10 January 2014 to provide two alternative forms of consideration). Under the revised offer CPA unitholders could elect to receive $0.8496 cash and 0.3801 DEXUS securities per CPA unit or $0.7745 cash and 0.4516 DEXUS securities per CPA unit, both of which had a value of approximately $1.23 per CPA unit. CPA was an externally managed A-REIT that focused on acquiring office properties across Australia. At the time of the acquisition CPA had a portfolio of 25 office properties geographically diversified across Australia with a book value of $3.8 billion.

Restructure of Westfield Group and Westfield Retail Trust (WRT)

17 On 4 December 2013, Westfield Group and WRT announced a proposal to merge Westfield Group's Australian / New Zealand business with WRT to form a new entity to be known as Scentre Group, with the international business of Westfield Group to become Westfield Corporation. Under the proposal WRT securityholders would receive $0.285 cash and 918 securities in Scentre Group for every WRT security held. Westfield Group securityholders would receive one security in the new Westfield Corporation and 1.246 securities in Scentre Group for every Westfield Group security held. WRT was Australia's largest REIT solely focused on Australian and New Zealand retail property, with total assets of $13.8 billion as at 30 June 2016.

Sale of Tishman Speyer Office Fund (TSO) interest in Tishman Speyer US Office Inc (US REIT) to TS US Office Holdings GP LLC (TSCE)

18 On 10 February 2012, Tishman Speyer Australia Limited as RE of TSO announced that it had entered into an implementation agreement and a sale and purchase agreement with TSCE in relation to the sale of 100% of TSO's interest in US REIT. Under the offer TSCE would pay TSO US$338.4 million for its interest in US REIT, resulting in a minimum distribution of US$0.985 per TSO unit. TSO was an ASX listed REIT that had interests in 16 commercial office properties located across major markets in the US.

Merger of Abacus Property Group and Abacus Storage Fund

19 On 13 January 2012, Abacus Property Group and Abacus Storage Fund announced that the two entities would merge, whereby Abacus Storage Fund unitholders received 0.538 stapled securities in the merged entity. The merger ratio was based on the relative NTA position of the two entities at the date of the merger. At this date Abacus Property Group owned and managed properties located in Australia and New Zealand, while Abacus Storage Fund owned self-storage facilities in Australia and New Zealand.

Acquisition of Charter Hall Office REIT by a Consortium

20 On 3 January 2012, Charter Hall Office REIT announced that its RE, Charter Hall Office Management Limited, had entered into a scheme implementation agreement with Reco Ambrosia Pte Ltd, the Public Sector Pension Investment Board of Canada and a member of Charter Hall Group for the acquisition of all the units in the Charter Hall Office REIT. The consideration included $1.8332 cash and a special distribution of $0.65 for each Charter Hall

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Office REIT unit. At this date Charter Hall Office REIT was an ASX listed REIT with a portfolio of office buildings in Australia and the US.

Acquisition of ING Industrial Fund by a Consortium

21 On 28 October 2010, ING Industrial Fund announced that it had received a takeover offer from a consortium consisting of Goodman Group, Leader Investment Corporation, the Canadian Pension Plan Investment Board and the All Pensions Group. The consideration paid was $0.537975 per ING Industrial Fund unit. At the time of the acquisition, ING Industrial Fund held a portfolio of 61 properties located in Australia and Europe, as well as some $2.5 billion of FUM.

CommonWealth REIT's acquisition of MacarthurCook Industrial Property Fund (MacarthurCook IPF)

22 On 3 May 2010, MacarthurCook Fund Management Limited, the RE of MacarthurCook IPF, announced that it had received a takeover offer from CommonWealth REIT to acquire all the units in MacarthurCook IPF. At the time of acquisition, MacarthurCook IPF owned a diversified industrial properties portfolio. The consideration paid by CommonWealth REIT was $0.44 per MacarthurCook IPF unit.

Mirvac Group's acquisition of Westpac Office Trust

23 On 28 April 2010, Westpac Office Trust announced that it had entered into a scheme of implementation with Mirvac Group for the acquisition of all the units in the Westpac Office Trust. At the time of the acquisition Westpac Office Trust owned and managed a portfolio of office assets worth approximately $1.1 billion. Shareholders of Westpac Office Trust had the option to either participate in a cash option or a scrip option (up to a capped limit). Under the cash option, unitholders received $0.86 Westpac Office Trust per unit and under the share option unitholders received 0.597 Mirvac shares per Westpac Office Trust unit.

Acquisition of Orchard IPF by Growthpoint

24 On 18 May 2009, Orchard IPF announced that it had entered into an implementation agreement with Growthpoint to recapitalise and restructure the fund via a $200 million capital raising, comprising a $56 million placement and a $144 million rights issue. Management of the fund was also to be internalised following the acquisition. At the time of acquisition, Orchard IPF held 23 industrial properties approximately 50% of which were located in Victoria.

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix E

Glossary

Term	Meaning
111 SGT	111 St George's Terrace Property Trust
Agreement	Scheme Implementation Agreement dated 3 March 2017 and subsequently amended on 21 April 2017
ANI	Australian Industrial REIT
API	Australian Property Institute
APPF	Aspen Parks Property Fund
A-REIT	Australian real estate investment trust
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CBD	Central business district
CDI	Challenger Diversified Property Group
Centuria Capital	Centuria Capital Limited
Centuria Capital Group	Centuria Capital Group Limited
CGT	Capital gains tax
Challenger Australia	Challenger Australia Listed Property Holding Trust
Challenger Life	Challenger Life Company Limited
CMA	Centuria Metropolitan REIT
CMR1	Centuria Metropolitan REIT No. 1
CMR2	Centuria Metropolitan REIT No. 2
Corporations Act	*Corporations Act 2001 (Cth)*
CPA	Commonwealth Property Office Fund
CPF2L	Centuria Property Funds No. 2 Limited
CPFL	Centuria Property Funds Limited
CPPIB	Canada Pension Plan Investment Board
cpu	Cents per unit
Cromwell	Cromwell Property Group
CUA	Centuria Urban REIT
DCF	Discounted cash flow
DEXUS	DEXUS Property Group
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
Effective Date	The date on which the Trust Scheme becomes effective
End Date	30 June 2017 or such later date agreed by the parties
FET	Folkestone Education Trust
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FST	Folkestone Social Infrastructure Trust
FY	Financial year
GMF	GPT Metro Office Fund
Growthpoint	Growthpoint Properties Australia
HY	Financial half year
ICPF	Investa Commercial Property Fund
IER	Independent expert's report
Investa	Investa Office Fund
IPO	Initial public offer
LEA	Lonergan Edwards & Associates Limited
LVR	Loan to value ratio

LONERGAN EDWARDS & ASSOCIATES LIMITED

Appendix E

Term	Meaning
MacarthurCook IPF	MacarthurCook Industrial Property Fund
MIX	Mirvac Industrial Trust
MREIT	Mirvac Real Estate Investment trust
NLA	Net lettable area
Non-Associated CUA Unitholders	CUA unitholders other than CMA and its associates
Novion	Novion Property Group
NPV	Net present value
NTA	Net tangible assets
PDS	Product disclosure statement
RE	Responsible Entity
REIT	Real estate investment trust
RG 111	Regulatory Guide 111 – *Content of expert reports*
Scheme Consideration	0.88 CMA units and $0.23 cash per CUA unit
Scheme Resolutions	The resolutions contained in the Notice of Meeting and Explanatory Memorandum
Simplification Proposal	Simplification of CMA's stapled trust scheme structure
sqm	Square metres
TPGN 15	Takeovers Panel Guidance Note 15 – *Trust scheme mergers*
Trust Scheme	The proposed acquisition of the units in CUA which CMA does not already own to be implemented via a transfer trust scheme between CUA and its unitholders (other than CMA and its associates)
TSCE	TS US Office Holdings GP LLC
TSO	Tishman Speyer Office Fund
US	United States of America
US REIT	Tishman Speyer US Office Inc
VWAP	Volume weighted average price
WALE	Weighted average lease expiry
WANOS	Weighted average number of securities
WRT	Westfield Retail Trust

11. Taxation Report

11.1 General

The comments below provide a general outline of Australian tax issues for Australian tax resident CUA Unitholders who hold their CUA Units on capital account for Australian income tax purposes.

The categories of CUA Unitholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their CUA Units on capital account.

This summary does not consider the consequences for foreign resident CUA Unitholders holding more than 10% of the total number of CUA Units on issue, insurance companies, banks, CUA Unitholders that hold their CUA Units on revenue account or carry on a business of trading in shares, CUA Unitholders who are exempt from Australian tax, or CUA Unitholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

The summary below is general in nature and is not exhaustive of all Australian tax consequences that could apply in all circumstances of any given CUA Unitholders. The individual circumstances of each CUA Unitholder may affect the taxation implications of the investment of the CUA Unitholder.

It is recommended that all CUA Unitholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of CUA Units having regard to their specific circumstances.

The summary below is based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the relevant tax authority at the time of issue of this Explanatory Memorandum. The summary does not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in this summary do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by CUA Unitholders in light of the changes. The precise implications of ownership or disposal of the CUA Units will depend upon each CUA Unitholder's specific circumstances.

11.2 Taxation implications for CUA Unitholders disposing of CUA Units

11.2.1 Capital Gains Tax (CGT) consequences

The disposal of CUA Units by an Australian resident CUA Unitholder will constitute a CGT event (being CGT Event A1). The time of the CGT event should be the Implementation Date.

11.2.2 Capital gain or loss on disposal of CUA Units

CUA Unitholders may prima facie make a capital gain if the capital proceeds received from the disposal of their CUA Units are more than the cost base of their CUA Units. Alternatively CUA Unitholders may make a capital loss if those capital proceeds are less than the reduced cost base of their CUA Units.

The capital proceeds received on disposal of CUA Units should generally be equal to the money (or money equivalent) received in respect of the disposal of units in CUA, i.e. the market value of the 0.88 CMA units received for each unit in CUA and the $0.23 cash payment for each unit in CUA.

The cost base (or reduced cost base) of CUA Units for a CUA Unitholder should generally include the cost of acquiring those units including incidental costs of acquisition and disposal less tax-deferred distributions that have been received from CUA. The reduced cost base should be the same as the cost base, subject to some modifications.

If a CUA Unitholder makes a prima facie capital gain on the disposal of the CUA Units, that capital gain should be aggregated with other capital gains derived in the same income year and offset by any capital losses incurred in the same income year or net capital losses carried forward from a prior income year to ascertain the net capital gain to be included in the CUA Unitholder's assessable income for the income year subject to any

exemptions or concessions such as scrip-for-scrip rollover relief and the discount capital gains concession (as discussed below).

To the extent the CUA Unitholder makes a capital loss on the disposal of the CUA Units, the CUA Unitholder may offset their capital loss against any capital gains they derive in the same income year. Where the capital losses made in the relevant income year exceed the capital gains derived in the relevant income year, the CUA Unitholder may be entitled to carry forward the excess net capital loss to future income years subject to the application of the loss recoupment rules. CUA Unitholders cannot offset net capital losses against their ordinary income, only capital gains.

11.2.3 Discount capital gains concession

If a CUA Unitholder, who is an individual, trustee of a trust or a complying superannuation entity, derives a capital gain on the disposal of their CUA Units, they may be eligible to claim the discount capital gains concession provided the CUA Unitholder had held their units in CUA for at least 12 months prior to the CGT event.

If applicable, prior to applying the CGT discount, the CUA Unitholder must offset their capital gain against any capital losses made in the relevant income year and/or any unapplied net capital loss carried forward from prior income years. The remaining amount (net capital gain) should then generally be included in the taxpayer's assessable income in the relevant income year.

The discount percentage applies as follows:

- individuals – 50% discount;
- complying superannuation funds – 33.3%; and
- trustee of a trust – 50%.

Please note the discount capital gains concession is not available for companies.

11.2.4 CGT Scrip-for-Scrip rollover relief

Broadly, scrip-for-scrip rollover relief may be available to defer a capital gain made by a taxpayer to the extent that, under an arrangement, a taxpayer exchanges an interest in an entity for a like interest in another entity. Scrip-for-scrip rollover relief is not applicable to capital losses.

Where participating CUA Unitholders make a capital gain in respect of their units in CUA and choose for the scrip-for-scrip rollover relief from CGT to apply, partial scrip-for-scrip rollover should be available, as detailed below.

Scrip-for-scrip rollover relief will only be available to the extent of the 'eligible proceeds' received in exchange for the CUA Unitholders units in CUA. The eligible proceeds are the value of the CMA units received by a participating CUA Unitholder.

EY, on behalf of CMA, has requested the Commissioner of Taxation (**Commissioner**) issue a Class Ruling that confirms the availability of CGT scrip-for-scrip rollover relief under Subdivision 124-M of the ITAA97 in respect of the portion of capital gains made on the disposal of CUA Units by CUA Unitholders that is attributable to the eligible proceeds. The Class Ruling, when issued, will be made available via the ATO website at www.ato.gov.au.

Based on the current CMA Unit price, participating CUA Unitholders will receive consideration comprising a cash component of $0.23 (10.13%) and a $2.04 scrip component (89.87%) satisfied by the issue of 0.88 units in CMA. As such, approximately 89.87% of the total consideration received by a CUA Unitholder in exchange for each CUA Unit is attributable to a unit received in CMA by way of exchange and thus eligible consideration. As a result, participating CUA Unitholders should be entitled to scrip-for-scrip rollover relief in respect of approximately 89.87% of their capital gain on the disposal of CUA Units.

11.2.5 Claiming Scrip-for-Scrip rollover relief

Broadly, the consequences for participating CUA Unitholders who choose to apply scrip-for-scrip rollover relief are as follows:

- The portion of the capital gain made on disposal of CUA Units that is attributable to the eligible proceeds (value of CMA Units received) as distinct from ineligible proceeds (the cash consideration) would be deferred (i.e. the CUA Unitholders do not include this portion of the capital gain in their assessable income).
- The total cost base of the CMA Units received will be equal to the portion of the CUA Unitholder's total historical cost base of the CUA Units disposed of that is attributable to the CGT rollover, i.e. approximately 89.87% of the total historical cost base of the CUA Units.
- The participating CUA Unitholder will be deemed for CGT purposes to have acquired the CMA Units at the time they originally acquired their CUA Units. This may become relevant when determining the application of the discount capital gains concession in respect to the subsequent disposal of the CMA Units.

Where scrip-for-scrip rollover relief is not available or not chosen, the CGT cost base of the CMA Units will be their market value at the Implementation Date.

11.2.6 GST

No GST should be payable in respect of the disposal of the CUA Units.

11.2.7 Stamp duty

No stamp duty should be payable in respect of the disposal of the CUA Units.

11.3 Taxation implications of holding CMA Units

Unitholders may receive trust distributions from CMA. CMA should currently be treated as a "flow through" trust for income tax purposes such that distributions from CMA to unitholders will be taxed in the hands of the relevant unitholders and not in the hands of the trustee to the extent that Australian resident unitholders are presently entitled to the net income (taxable income) of the trust. Trust income assessed in the hands of a presently entitled unitholder should retain the same character that the income had when it was derived by the trust.

Individual unitholders will generally be subject to Australian tax on distributions at their marginal tax rate plus the Medicare Levy. Company and superannuation fund unitholders will be subject to Australian tax on distributions at their respective tax rates (currently 30% for companies, 15% for complying superannuation funds and the highest marginal rate for non-complying superannuation funds).

Unitholders may also receive tax deferred distributions from CMA. A unitholder should not generally include tax-deferred distributions received in their assessable income. Rather, to the extent that a distribution includes a tax-deferred distribution amount, this should reduce the unitholder's cost base in the CMA Unit held. If the tax-deferred distributions received by a unitholder exceed the unitholder's cost base of their units, the excess should be taxed as a capital gain to the unitholder in the income year in which the excess was distributed.

CMA will issue tax statements to its unitholders in respect of any distributions to be made detailing the amount of the distribution or tax deferred components as relevant.

11.4 Tax File Number (TFN) Withholding Tax

A Unitholder is not required to quote a TFN. However, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be withheld by the Responsible Entity from any income distribution entitlement at the highest marginal rate plus the Medicare Levy. Under the Pay As You Go ('PAYG') regime, unitholders holding their units as part of a business may quote their ABN instead of their TFN.

12. Additional Information

12.1 Voting exclusion statements

(a) Persons entitled to vote at the Meeting

Subject to the voting restrictions set out below, each CUA Unitholder who is on the CUA Register at the Voting Record Date is entitled to attend and vote at the Meeting either in person, by proxy, by attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with section 253B of the Corporations Act.

Voting at the Meeting will be by poll. In a resolution of CUA determined by poll, each CUA Unitholder present in person or by proxy has one vote for every dollar of its total interest held in CUA (held via CUA Units). The value of a CUA Unitholder's total interest in CUA will be calculated by reference to the last sale price of CUA Units on ASX on 13 June 2017.

(b) Voting requirements for the Resolutions to be considered at the Meeting

For the resolutions to be approved:

1. The resolution to approve the acquisition of CUA Units must be passed by more than 50% of the total number of votes cast on the resolution by CUA Unitholders entitled to vote on the resolution at the Meeting.

Voting exclusions

For the purposes of this resolution, and in accordance with item 7, section 611 and section 253E of the Corporations Act, CPFL, CPF2L, CNI and their associates must not cast any votes in favour of the resolution.

2. The resolution to amend the CUA Constitution must be passed by at least 75% of the total number of votes cast on the resolution by CUA Unitholders entitled to vote on the resolution at the Meeting.

Voting exclusions

For the purposes of this resolution, and in accordance with section 253E of the Corporations Act, CPFL, CPF2L, CNI and their associates are not entitled to vote their interests if they have an interest in the resolution other than as a member of CUA.

Instructions on how to attend and vote at the Meeting are set out in Section 4 and the Notice of Meeting in Annexure 1.

12.2 CPF2L Directors

The CPF2L Directors in office at the date of lodgement of this Explanatory Memorandum with ASIC are:

Name	Position
Michael Figg	Non-Executive Director
Robert Lloyd	Non-Executive Director
John Slater	Non-Executive Director

12.3 CPF2L Directors' interests and benefits

The table below shows the interest of each CPF2L Director in CUA Units and CMA Units as at the date of lodgement of this Explanatory Memorandum with ASIC.

Name	Number of CUA Units	Number of CMA Units
Michael Figg	Nil	Nil
Robert Lloyd	Nil	Nil
John Slater	Nil	Nil

12.4 Payments or other benefits to CPF2L Directors and others

It is not proposed that any payment or other benefit be made or given to any CPF2L Director, or any secretary or executive officer of CPF2L or of any Related Body Corporate of CPF2L, as compensation for loss of, or as consideration for or in connection with his retirement from, office as Director, secretary or executive officer of CPF2L or of a Related Body Corporate, as the case may be, as a result of the Scheme.

Other than as disclosed in this Explanatory Memorandum, it is not proposed that any payment or other benefit be made or given to any Related Body Corporate of CPF2L in connection with the Scheme.

12.5 Other agreements or arrangements with CPF2L Directors

There is no agreement or arrangement made between any CPF2L Director and another person in connection with or conditional on the outcome of the Proposal.

None of the CPF2L Directors has an interest in any contract entered into by CMA.

12.6 Benefits agreed to be given to CUA Unitholders during previous four months

Other than as disclosed in this Explanatory Memorandum, in the four months before the date of this Explanatory Memorandum neither CPFL as Responsible Entity of CMA nor any associate of CPFL as Responsible Entity of CMA gave, or offered to give or agreed to give, a benefit to another person that is not available under the Scheme and was intended to or likely to induce the other person, or an associate of the other person, to:

- vote in favour of the Resolutions; or
- dispose of their CUA Units to CPFL,

other than:

- the acquisition in January 2017 of 19.99% and 8.76% of CUA Units by CNI and CPFL respectively, for $2.25 per unit plus an additional payment in respect of the accrued distribution of CUA equal to $0.0425 per unit multiplied by 8/90 (being the eight days which elapsed prior to completion of the unit sale within the 90-day quarter); and
- the agreement by CPFL as Responsible Entity of CMA in the Deed Poll to provide the Scheme Consideration in accordance with the Scheme if the Scheme is implemented.

12.7 Voting power of CPFL

At the date of this Explanatory Memorandum:

- the total number of issued CUA Units was 73,279,751; and
- CPFL had voting power of 8.76% in respect of CUA and of 28.8% when aggregated with Centuria Capital Group's holding.

As a result of the Scheme, CPFL will increase its voting power to 100% in respect of CUA.

12.8 Voting power of CPFL's associates

At the date of this Explanatory Memorandum, the associates of CPFL are Centuria Capital Group.

At the date of this Explanatory Memorandum, the associates of CPFL had voting power of 19.99% in respect of CUA.

As a result of the Scheme, the associates of CPFL will increase their voting power to 100% in respect of CUA.

12.9 CPFL Directors' interests and benefits

The table below shows the interest of each CPFL Director in CUA Units and CMA Units as at the date of lodgement of this Explanatory Memorandum with ASIC.

Name	Number of CUA Units	Number of CMA Units
Peter Done	Nil	75,000
Darren Collins	Nil	20,000
Matthew Hardy	Nil	17,000
Jason Huljich	Nil	3,000

12.10 CPFL Directors' intentions in relation to CUA

The current intentions of CPFL, as Responsible Entity of CMA, with respect to the continued business of CUA and major changes to be made to the business of CUA are set out in Section 8.2.

If the Proposal is not implemented, the CPF2L Directors currently intend to continue the business of CUA and do not currently intend to make any major changes to the business of CUA.

12.11 Related party transactions and benefits

CPF2L has agreed that, if the Scheme is implemented, it will reduce the ongoing annual base management fees paid in respect of CUA assets from 0.60% to 0.55% of gross asset value to be in line with the management fee currently being charged by CPFL to CMA. If CPFL or a Related Body Corporate becomes the Responsible Entity (or trustee) of CUA, that entity will be entitled to the base management fee from CUA.

12.12 CMA Unitholder Meeting

The CMA Unitholder Meeting will be held prior to the Meeting on 14 June 2017 at which the CMA Unitholders will be asked to consider and, if thought fit, pass the CMA Unitholder Resolution.

The CMA Unitholder Resolution is a proposed resolution for the purposes of Listing Rule 10.1 and for all other purposes to approve the acquisition by CMA of CUA Units held by CNI as part of the proposal.

The Proposal is conditional upon, among other things, the CMA Unitholders approving the CNI Acquisition for the purposes of Listing Rule 10.1. The conditions of the Proposal are considered in Section 12.19.1.

12.13 Stamp duty

The acquisition of CUA Units by CPFL is likely to result in landholder duty in Queensland and Victoria at a concessional rate. It is estimated that the stamp duty liability will be $1.2m based on the current market valuation of CUA's investment property. CPFL will be liable for this stamp duty on the transfer of CUA Units.

12.14 ASIC relief

In connection with the Proposal, ASIC has granted relief in respect of certain provisions of the Corporations Act, including:

(a) relief in respect of item 7 of Section 611 of the Corporations Act to enable all CUA Unitholders (other than those associated with CPFL) to vote on the Scheme;

(b) relief from the requirement in section 941A of the Corporations Act to provide a Financial Services Guide;

(c) relief from section 601FC(1)(d) of the Corporations Act to the extent necessary for Ineligible Foreign Unitholders not to receive New CMA Units as Scheme Consideration;

(d) relief in respect of any requirement to comply with Division 5A of Part 7.9 of the Corporations Act in relation to the proposed offer to acquire CUA Units under the Proposal; and

(e) relief from Chapter 5C, Part 7.6 and Part 7.9 of the Corporations Act in relation to the scheme registration, equal treatment, licensing and product disclosure provisions in relation to the operation of the Sale Facility.

12.15 ASX waivers and confirmations

In connection with the Proposal, ASX has granted the following confirmations to CPF2L:

(a) confirmation that the proposed manner in which CUA Units are to be dealt with under the Scheme is appropriate and equitable under Listing Rule 6.12.3;

(b) confirmation under Listing Rule 15.1.1 that ASX does not object to the proposed amendments to the CUA Constitution in the Supplemental Deed; and

CPF2L has sought confirmation that ASX does not object to the draft Explanatory Memorandum.

CPFL has applied for, and ASX has granted, a waiver from Listing Rules 7.1 and 10.11 in respect of the issue of New CMA Units as Scrip Consideration under the Proposal and has confirmed that Listing Rule 11.1 does not apply to the Proposal.

12.16 Application for quotation

CPFL will apply to ASX for official quotation of the New CMA Units to be issued under the Scheme, within seven days after the date of this Explanatory Memorandum.

12.17 Fees payable to experts and advisers

Lonergan Edwards & Associates are entitled to a fee of $135,000 plus GST in connection with the preparation of the Independent Expert's Report.

HWL Ebsworth Lawyers are entitled to a fee up to $350,000 plus GST in their capacity as the legal adviser to CPF2L.

BG Capital Corporation is entitled to a fee of $190,000 plus GST in its capacity as the financial adviser to CPF2L.

Ernst & Young are entitled to a fee of $45,000 plus GST for the provision of taxation advice to CPF2L, including the preparation of the Taxation Report in Section 11. Ernst & Young are also entitled to a fee of $60,000 plus GST for reviewing the financial model for the Proposal and for due diligence services provided to CPF2L.

12.18 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:

- Lonergan Edwards & Associates – as Independent Expert;
- Ernst & Young – as author of the Taxation Report;
- Boardroom Pty Ltd – as the CUA Registry;
- HWL Ebsworth Lawyers – as legal adviser to CPF2L;
- MinterEllison – as legal adviser to CPFL;
- Computershare Investor Services Pty Limited – as the CMA Registry;

- Moelis Australia – as financial adviser to CPFL; and
- BG Capital Corporation – as financial adviser to CPF2L.

The following persons have given and have not, before the date of this Explanatory Memorandum, withdrawn their consent to the inclusion of the reports noted next to their names and the references to those reports in the form and context in which they are included in this Explanatory Memorandum:

- Ernst & Young – the Taxation Report in Section 11; and
- Lonergan Edwards & Associates – the Independent Expert's Report in Section 10.

Each person referred to in this Section 12.18:

- does not make, or purport to make, any statement in this Explanatory Memorandum other than those statements (if any) 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 that person's consent.

12.19 Summary of Scheme Implementation Agreement

The following is a summary of the key provisions of the Scheme Implementation Agreement. Capitalised terms used in this Section 12.19 have the meaning given to them in the Scheme Implementation Agreement lodged with ASX on 3 March 2017 as amended, unless otherwise defined in this Explanatory Memorandum or the context requires otherwise.

The Scheme Implementation Agreement contemplates that the Scheme will be proposed by CPF2L and that both parties agree to implement the Scheme in accordance with the Scheme Implementation Agreement.

12.19.1 Conditions precedent

The obligations of CPFL and CPF2L to implement the Scheme under the Scheme Implementation Agreement are conditional on the satisfaction or waiver of conditions including the following:

- The Resolutions are passed at the Meeting by the requisite majorities.
- The Independent Expert's Report concludes that the Scheme is in the best interests of non-associated CUA Unitholders before the date on which this Explanatory Memorandum is lodged with ASIC and the Independent Expert does not change its conclusion or withdraw its report before 8:00am on the date of the Meeting.
- There is no Material Adverse Change to CMA or CUA between the date of the Scheme Implementation Agreement and 8:00am on the Effective Date.
- No Prescribed Occurrence occurs in respect of CMA, CUA, CPFL or CPF2L between the date of the Scheme Implementation Agreement and 8:00am on the Effective Date.
- Before 8:00am on the date of the Meeting, ASIC and ASX have granted the regulatory modifications described in Sections 12.14 and 12.15 and have not withdrawn or modified them before 8:00am on the Effective Date.
- As at 8:00am on the Effective Date, there is no unremedied breach by CPFL or CPF2L of a representation or warranty given under the Scheme Implementation Agreement.
- As at 8:00am on the Effective Date, there is no restraining order or injunction or other prohibition restraining or prohibiting the Scheme issued by a government agency in effect.
- The Independent Directors of CPF2L unanimously recommend that CUA Unitholders approve the Resolutions and do not change or withdraw that recommendation, or support a Superior Proposal, at or before the Meeting.
- There is no unremedied breach by CPFL or CPF2L of any material provision of the Scheme Implementation Agreement before 8:00am on the Effective Date.
- The Scheme Implementation Agreement has not been terminated before 8:00am on the Effective Date.
- Before 8:00am on the Effective Date, the CMA Unitholders approve the CNI Acquisition for the purposes of Listing Rule 10.1.

The Proposal will not become Effective unless all of these conditions are satisfied or waived (if applicable) in accordance with the Scheme Implementation Agreement. CPFL and CPF2L have agreed to use all reasonable endeavours to procure the satisfaction of the conditions precedent as soon as practicable after the date of the Scheme Implementation Agreement and that there is no occurrence that would prevent the conditions precedent being satisfied.

If the conditions precedent are not satisfied or waived (if applicable) by 31 July 2017 (**End Date**), CPFL and CPF2L will consult in good faith to determine whether the Proposal may proceed by way of alternative means and may agree to extend the relevant time for satisfaction of the conditions precedent.

12.19.2 CPF2L's obligations

Under the Scheme Implementation Agreement, CPF2L is under a general obligation to take all steps reasonably necessary to implement the Scheme in accordance with an agreed timetable.

CPF2L must also, amongst other things:

- prepare the Explanatory Memorandum and dispatch a copy of the Explanatory Memorandum to CUA Unitholders;
- take all reasonable steps to ensure that the CUA Information in this Explanatory Memorandum is not false, misleading or deceptive in any material respect;
- commission the preparation of the Independent Expert's Report and provide all information reasonably requested by the Independent Expert to enable the preparation of the Independent Expert's Report;
- apply for all regulatory approvals required for CPF2L to implement the Scheme;
- take all reasonable steps to convene and hold the Meeting in accordance with the CUA Constitution and the applicable law; and
- if the Resolutions are approved by the requisite majorities, to do all things contemplated by or necessary to give effect to the Scheme including lodging the executed Supplemental Deed with ASIC and promptly registering the transfer of CUA Units to CPFL.

12.19.3 CPFL's obligations

CPFL is under a general obligation to take all steps reasonably necessary to assist CPF2L to implement the Scheme in accordance with an agreed timetable.

CPFL must also, amongst other things:

- provide to CPF2L the CMA Information to be included in this Explanatory Memorandum relating to the Scheme;
- take all reasonable steps to ensure that the CMA Information in this Explanatory Memorandum is not false, misleading or deceptive in any material respect;
- provide to the Independent Expert all information reasonably requested by the Independent Expert to enable the preparation of the Independent Expert's Report;
- apply for all regulatory approvals required by CPFL to implement the Scheme;
- execute the Deed Poll; and
- if the Scheme becomes Effective, lodge an Appendix 3B in respect of the New CMA Units to be issued as Scrip Consideration and provide the Scheme Consideration to the Scheme Unitholders on the Implementation Date in accordance with the Scheme.

12.19.4 Conduct of business

Until the Implementation Date, CPF2L and CPFL must conduct their businesses in the usual and ordinary course consistent with past practice or as may be required to satisfy a specific requirement of a government agency.

12.19.5 Representations and warranties

Under the Scheme Implementation Agreement, each of CPF2L and CPFL provide certain standard representations and warranties to each other in relation to their status and the execution and performance of their respective obligations under the Scheme Implementation Agreement.

12.19.6 Termination events

The Scheme Implementation Agreement contains standard termination rights for both CPFL and CPF2L.

These termination rights include termination:

- by either party if CPF2L receives a Superior Proposal after the signing of the Scheme Implementation Agreement and the Independent Directors of CPF2L publicly recommend, promote or otherwise endorse the Superior Proposal;
- by either party if the other party is in material breach of the Scheme Implementation Agreement;
- by either party if a Prescribed Occurrence occurs in respect of the other party;
- by either party if a Material Adverse Change occurs in respect of the other party; and
- by either party if the conditions precedent are not satisfied or waived unless they cannot be satisfied or waived because of that party's breach.

12.19.7 Reimbursement of costs

CPF2L must pay to CPFL an amount equal to CPFL's costs of the Scheme (up to $500,000) if:

- any of the Independent Directors of CPF2L do not recommend the Scheme or cease to recommend it or take material steps to implement a Competing Proposal (unless the Independent Expert concludes that the Scheme is not in the best interests of CUA Unitholders, other than as a result of a Competing Proposal having been announced);
- a Competing Proposal substantially completes by 30 September 2017;

- CPF2L breaches a material provision of the Scheme Implementation Agreement; or
- a Prescribed Occurrence occurs in respect of CPF2L or CUA.

CPFL must pay to CPF2L an amount equal to CPF2L's costs of the Scheme (up to $500,000) if:

- CPFL breaches a material provision of the Scheme Implementation Agreement;
- a Prescribed Occurrence occurs in respect of CPFL or CMA;
- the CMA Unitholders do not approve the CNI Acquisition for the purposes of Listing Rule 10.1; or
- CPFL decides not to proceed with the Scheme other than by reason of the non-satisfaction of the conditions precedent concerning CUA Unitholder approval of the Resolutions, the grant of the necessary ASIC and ASX relief for the Proposal to proceed and the recommendation of the Independent Directors of CPF2L of the Scheme.

12.19.8 Exclusivity

The Scheme Implementation Agreement contains customary exclusivity provisions that apply until the End Date, unless the Scheme becomes Effective before then or the Scheme Implementation Agreement is terminated before then.

In summary, the exclusivity provisions are:

(a) **No talk**

CPF2L and its advisers must not:

(i) participate in any discussions with respect to any proposal by any person to make, or which would reasonably be expected to encourage the making of, a Competing Proposal or participate in any discussions with respect to a Competing Proposal;

(ii) negotiate or enter into, or agree to negotiate or enter into, an agreement regarding a Competing Proposal;

(iii) disclose material non-public information about CUA to a third party with a view to obtaining or encouraging a Competing Proposal (including disclosing information for due diligence); or

(iv) communicate to any person an intention to do anything referred to above.

This restriction is subject to the usual fiduciary carve out.

(b) **No shop**

CPF2L and its advisers must not solicit, invite, initiate or encourage the submission of a Competing Proposal or any enquiries, negotiations or discussions that might reasonably be expected to encourage a Competing Proposal.

(c) **Matching right**

CPFL also has a matching right to make a new proposal or propose a revision of the Scheme if a Competing Proposal is made and the Independent Directors of CPF2L have reasonably determined in good faith that the Competing Proposal is bona fide and would reasonably be expected to lead to a Superior Proposal.

12.19.9 Stamp duty

Under the Scheme Implementation Agreement, CPFL agrees to pay all stamp duty payable in respect of the Scheme.

12.20 Summary of the Deed Poll

CPFL has agreed to, before the Meeting, enter into the Deed Poll in favour of all Scheme Unitholders pursuant to which it agrees to do all things that it is required to do under the Scheme, and in particular must provide the Scheme Consideration to each Scheme Unitholder in accordance with the terms of the Scheme and the Supplemental Deed.

The Deed Poll may be relied upon and enforced by any Scheme Unitholder.

The obligations of CPFL under the Deed Poll are subject to the Scheme becoming Effective. The Deed Poll terminates upon the termination of the Scheme Implementation Agreement or if the Scheme is not Effective on or before the End Date unless CPFL and CPF2L otherwise agree.

A copy of the Deed Poll is set out in full in Annexure 2.

12.21 CUA Constitutional amendments

The amendments proposed to be made to the CUA Constitution in order to implement the Scheme as contemplated by the Resolutions are set out in full in the Supplemental Deed in Annexure 3.

13. Fees and Other Costs

13.1 Consumer Advisory Warning

DID YOU KNOW?

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

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

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

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

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

13.2 Fees and costs template

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

Taxes are set out in another part of this document.

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

Centuria Metropolitan REIT		
Type of fee or cost	**Amount**	**How and when paid**
Fees when your money moves in or out of the managed investment product		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Exit fee The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing your investment[1]	1.194% p.a. of CMA's net assets[1]	Management costs are comprised of: • 0.55% of gross assets (0.852% p.a. of net assets) **management fee**, calculated and payable monthly; and • 0.342% p.a. **indirect costs**[2], calculated on the basis of the reasonable estimate by CPFL of such costs and paid out of the assets of CMA once the cost is incurred; and
Costs of the Proposal A once-off cost of the Proposal	1.878% p.a. of CMA's net assets[1]	**Proposal costs**, which are a once-off cost of the Proposal that are estimated to be approximately $5.2 million (incl. $1.2 million stamp duty). Whilst this is not an ongoing or recurring expense, this would equate to a once-off annual cost of 1.878% of net assets and is paid out of the assets of CMA.
Service fees		
Switching fee The fee for changing investment options	Nil	Not applicable

1. This amount comprises the management fee, estimated recoverable expenses and estimated indirect costs. The estimated costs of the Proposal are shown separately. For more information about management costs, see 'Management costs' under the heading 'Additional Explanation of Fees and Costs'.
2. For more information on the meaning and calculation of indirect costs, see 'indirect costs' under the heading 'Additional Explanation of Fees and Costs'.

13.3 Example of annual fees and costs

This table gives an example of how the fees and costs in CMA can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

EXAMPLE — CMA		Balance of $50,000 with a contribution of $5,000 during year[1]
Contribution Fees	Nil	For every additional $5,000 you put in, you will be charged between $0 and $200.
PLUS Management Costs	1.194% p.a. of CMA's net assets[2]	And, for every $50,000 you have in CMA you will be charged $597 each year.
EQUALS Cost of CMA	1.194% p.a. of CMA's net assets[2]	If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 during that year, you would be charged fees of $627.

1. This example assumes the $5,000 contribution occurs at six months into the year.
2. Management costs are expressed as a percentage of CMA's net assets. Management costs comprise the management fee of 0.852% p.a. of net assets plus estimated indirect costs of 0.342% p.a. of net assets. This example does not include the costs of the Proposal as part of the management costs as they are not typical ongoing costs.

13.4 Additional Explanation of Fees and Costs

13.4.1 Management costs

Management costs are expressed as a percentage of CMA's net assets, rounded to two decimal places. Management costs are made up of a management fee, recoverable expenses, indirect costs and the costs of the Proposal. Any management fees and indirect costs are included in the management costs in the table at Section 13.2; they are not an additional cost to you.

Management fee

The management fee is charged by the Responsible Entity of CMA for managing and operating CMA. The management fee is 0.55% p.a. of the gross value of the assets of CMA, accrues daily and is calculated and payable monthly. For the purposes of the management costs calculation in the table at Section 13.2, the management fee has been expressed as a percentage of CMA's net assets.

Indirect costs

Indirect costs are generally any amount the Responsible Entity of CMA knows or estimates will reduce CMA's returns, that are paid from CMA's assets.

The amount of indirect costs includes, but is not limited to, recoverable expenses incurred in operating CMA and that are deducted from the assets of CMA as and when they are incurred. The CMA Constitution entitles the Responsible Entity of CMA to be reimbursed from the assets of CMA for any expenses and liabilities incurred in relation to the proper performance of its duties. These expenses and liabilities include, but are not limited to, expenses and liabilities in connection with communications to CMA Unitholders, maintaining the register and other records, calling and holding meetings of CMA Unitholders, undertaking transactions or proposed transactions in relation to CMA, conducting due diligence in connection with any transaction or proposed transaction, undertaking borrowings, managing and leasing assets, tax liabilities, restructuring CMA, custody services, and accounting legal and other advisory services. CMA uses over-the-counter derivatives to hedge interest rate risk, and the costs of such derivatives are not included in the indirect costs calculation in the table at Section 13.2 but are instead included in transactional and operational costs below.

The amount of total indirect costs shown in the table at Section 13.2 is based on CPFL's knowledge of, or where required, reasonable estimate of, such costs. Indirect costs are generally calculated on the basis of indirect costs paid by CMA in CMA's previous financial year and the CPFL's estimate of future costs assuming the Proposal proceeds. As such, the actual indirect costs may differ from the amount shown in the table at Section 13.2. Indirect costs are deducted from the returns on investments of CMA Unitholders or from

CMA assets as a whole. Estimated indirect costs are included in the management costs in the table at Section 13.2.

Costs of the Proposal

Assuming the Proposal proceeds, the costs of the Proposal to be incurred by CMA are estimated by CPFL at $5.2 million. These include the costs of legal and other advisers in relation to the Proposal, and in relation to preparing the PDS component of this Explanatory Memorandum. These costs will be paid out of the assets of CMA.

13.4.2 Updated fees and costs information

The management costs components are based on CPFL's actual knowledge, or reasonable estimate, of the particular fee or cost. Estimates may be based on a number of factors, including (where relevant), previous financial year information, information provided by third parties or as a result of making reasonable enquiries and typical costs of the relevant investment. As such, the actual fees and costs may differ and are subject to change from time to time.

The Responsible Entity of CMA may change the amount of fees paid out of CMA's assets without the consent of CMA Unitholders, subject to the terms of the CMA Constitution. Where practicable, CPFL will give CMA Unitholders at least 30 days' prior notice of any proposed increase in the management fee. If the Responsible Entity of CMA wishes to raise fees above the amounts allowed for in the CMA Constitution, the Responsible Entity would need the approval of CMA Unitholders.

Information in the PDS component of this Explanatory Memorandum that is not materially adverse may change from time to time. Information that has changed in relation to CMA that is not materially adverse but which CPFL wishes to provide to CUA Unitholders will be made available on CMA's website at http://centuria.com.au/. A paper copy of any updated information will be given, or an electronic copy made available, to any person by CPFL without charge on request.

CPFL may issue a supplementary PDS to change a statement, or supplement any relevant information not contained, in the PDS component of this Explanatory Memorandum, in accordance with the requirements of and CPFL's obligations under the Corporations Act. Any supplementary PDS should be read together with this Explanatory Memorandum. Any supplementary PDS will be given by CPFL in accordance with its obligations under the Corporations Act. A copy of any supplementary PDS regarding CMA will be made available on CMA's website at http://centuria.com.au/ and a printed copy will be available from CPFL free of charge upon request

13.4.3 Transactional and operational costs

CMA incurs transactional and operational costs when dealing with the assets of CMA. Transactional and operational costs may include transactional brokerage, clearing costs, stamp duty, the buy and sell spreads of any underlying fund and the costs of derivatives used to hedge interest rate risk. These costs will differ according to the type of assets in CMA, or the purpose for which any derivatives are acquired, and will be paid out of CMA's assets.

Transactional and operational costs include property management costs in relation to the management of real estate assets of CMA, including the costs of rates and utilities and other property maintenance and operating costs relating to those assets.

CPFL estimates CMA's transactional and operational costs to be approximately 0.083% p.a. of CMA's net assets.

13.4.4 Other costs

Costs related to certain specific assets or activities to produce income

CMA may also incur costs (related to certain specific assets or activities to produce income) that an investor would incur if they invested directly in a similar portfolio of assets. These costs will be paid out of the assets of CMA and are additional to the fees noted in the table at Section 13.2.

13.4.5 Maximum fees

Under the CMA Constitution, the Responsible Entity is entitled to charge a maximum management fee equal to 0.60% of the gross value of the assets of CMA, accruing daily and calculated and payable monthly from the date CMA was established to the date of the final distribution of CMA.

Under the CMA Constitution, the Responsible Entity of CMA may waive, lower, or defer its right to receive fees, or recover expenses in relation to such amounts, for such period and on such terms as it determines.

13.4.6 Fees while CMA Units are not officially quoted

Under the CMA Constitution, the Responsible Entity of CMA may charge the following fees while CMA Units are not officially quoted on the ASX, and they are payable at the time of the relevant transaction. These fees are not currently charged as CMA Units are quoted on the ASX.

Fee	How and when paid
Incentive/ performance fee	If any property (including units in any sub trust) is sold by CMA at a sale price (after proper costs) that exceeds its acquisition price by 15% or more, an incentive/performance fee equal to 15% of the amount exceeding the acquisition price multiplied by 1.15.
Acquisition fee	An acquisition fee of 5% of the purchase price of any real property.
Transfer fee	A transfer fee for each transfer of CMA Units to either an existing CMA Unitholder or a third party equal to 3% of the gross transfer value.
Redemption fee	A redemption fee of: (i) 3.00% of the redemption amount for any investments held in CMA for less than three years. (ii) 2.00% of the redemption amount for any investments held in CMA for more than three years. (iii) 1.00% of the redemption amount for any investment held in CMA for more than four years. (iv) Nil for any investments held in CMA for more than five years.

13.4.7 Goods and Services Tax (GST)

Unless otherwise stated, the fees shown in this Section 13 are inclusive of GST and any applicable stamp duty, less any claimable reduced input tax credits.

Under the CMA Constitution, the Responsible Entity of CMA is entitled to be paid an amount additional to the fees set out in the CMA Constitution on account of GST calculated in accordance with the CMA Constitution.

13.4.8 Payments to financial advisers

No commissions will be paid by the Responsible Entity of CMA to financial advisers out of the assets of CMA. A CMA Unitholder, or a prospective investor, may incur a fee for the advice or any other service provided to that person by their adviser, but this is not a fee that the Responsible Entity of CMA has charged or will charge that person for investing in CMA or otherwise acquiring CMA Units and is not paid out of the assets of CMA. The amount of fee a person will pay (if any) to their adviser should be set out in a Statement of Advice given to that person by their financial adviser.

Glossary

Defined Term	Meaning
A-REIT	an Australian REIT
AET	Australian Executor Trustees Limited ABN 84 007 869 794
AFSL	Australian financial services licence
Announcement Date	3 March 2017, being the date of announcement of the Proposal
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the stock market conducted by it, as the context requires
ASX Settlement Operating Rules	the operating rules of the settlement facility provided by ASX Settlement Pty Ltd
Business Day	a day on which banks are open for general banking business in Sydney (not being a Saturday, Sunday or public holiday in that place)
Cash Consideration	$0.23 cash for every one CUA Unit
Centuria Capital Group or CNI	Centuria Capital Limited ACN 095 454 336 and Centuria Funds Management Limited ACN 607 153 588 as Responsible Entity of the Centuria Capital Fund ARSN 613 856 358
Centuria Property Services	Centuria Property Services Pty Limited ACN 092 526 924
CGT	capital gains tax
CMA	Centuria Metropolitan REIT ARSN 124 364 718
CMA Constitution	the constitution of CMA
CMA Information	the information in this Explanatory Memorandum that has been prepared by CMA, being the information in Section 7 (Information about CMA), Section 8 (Profile of the Merged Group), Section 9 (Risk factors), Section 13 (Fees and other costs) and statements in this Explanatory Memorandum expressed as being made by CPFL or CMA forecasts or forecasts of the Merged Group (to the extent comprised of or based on CMA forecasts)
CMA Unit	a fully paid ordinary unit in CMA

Defined Term	Meaning
CMA Unitholder	a holder of CMA Units
CMA Unitholder Meeting	the meeting of the CMA Unitholders to be held on 14 June 2017 at which the CMA Unitholders will be asked to consider and, if thought fit, pass the CMA Unitholder Resolution
CMA Unitholder Resolution	the resolution to be considered at the CMA Unitholder Meeting, being a resolution for the purposes of Listing Rule 10.1 and for all other purposes to approve the CNI Acquisition
CMPT	Centuria Metropolitan Property Trust
CMR2	Centuria Metropolitan REIT No. 2 ARSN 124 364 656
CNI Acquisition	the acquisition by CPFL of CUA Units from Centuria Investment Holdings Pty Ltd as trustee of Centuria Capital No. 2 Office Fund under the Scheme
Competing Proposal	has the meaning given in the Scheme Implementation Agreement
Corporations Act	*Corporations Act 2001* (Cth)
CPFL Board	the board of directors of CPFL
CPFL Director	a director of CPFL
CPFL	Centuria Property Funds Limited ACN 086 553 639 as Responsible Entity of CMA
CPF2L	Centuria Property Funds No. 2 Limited ACN 133 363 185 as Responsible Entity of CUA
CPF2L Board	the board of directors of CPF2L
CPF2L Director	a director of CPF2L
CPI	the All Groups Consumer Price Index, as issued by the Australian Bureau of Statistics as a general indicator of the rate of change in prices paid for consumer goods and services
CUA	Centuria Urban REIT ARSN 106 453 196
CUA Constitution	the constitution of CUA
CUA Guidance	earnings guidance provided by CUA in its FY16 Results Presentation on 17 August 2016
CUA Information	the information contained in this Explanatory Memorandum prepared by CUA excluding the CMA Information, the Taxation Report and the Independent Expert's Report

Defined Term	Meaning
CUA Register	the register of members of CUA
CUA Standalone Forecast Distributable Earnings	amount that is forecast to be transferable to CUA Unitholders for the financial year ending 30 June 2017
CUA Unit	a fully paid ordinary unit in CUA
CUA Unitholder	a holder of a CUA Unit
Deed Poll	the deed poll to be entered into by CPFL, under which CPFL has agreed to perform the obligations required of it under the Scheme and the Supplemental Deed, as set out in Annexure 2
Director	a director of CPFL or CPF2L, as the case may be
Distributable Earnings	in respect of a scheme, the amount that is transferable to unitholders in the scheme
Distribution Entitlement Date	the date which is the earlier of one day immediately prior to the Implementation Date and 30 June 2017
Effective	in relation to the Scheme, means the Supplemental Deed being lodged with ASIC and taking effect pursuant to section 601GC(2) of the Corporations Act
Effective Date	the date on which the Scheme becomes Effective
EPU	earnings per unit
Explanatory Memorandum	this document and includes its Annexures and the Proxy Form
FY	a financial year ending 30 June
FY17 Pro Forma Forecast Distributable Earnings	amount that is distributable to CMA Unitholders for the financial year ending 30 June 2017
GST Act	*A New Tax System (Goods and Services Tax) Act 1999* (Cth)
Implementation Date	the date on which the Scheme is to be implemented (expected to be 29 June 2017)
Independent Directors of CPF2L	Michael Figg and Robert Lloyd who sat on the Independent Board Committee of the CPF2L Board established to consider the Proposal
Independent Expert or **Lonergan Edwards & Associates**	Lonergan Edwards & Associates Limited ACN 095 445 560
Independent Expert's Report	the report prepared by the Independent Expert contained in Section 10

Defined Term	Meaning
Ineligible Foreign Unitholders	a CUA Unitholder whose address as shown on the register of members of CUA is in a jurisdiction other than Australia (or its external territories) or New Zealand, unless CPFL otherwise determines after being satisfied that it is lawful and not unduly onerous or unduly impracticable for New CMA Units to be issued to such CUA Unitholder on implementation of the Proposal
Listing Rules	listing rules of ASX
Material Adverse Change	has the meaning given in the Scheme Implementation Agreement
Meeting	the meeting of the members of CUA to be held to approve the Scheme
Merged Group	CMA assuming that the Proposal is successful and CPFL acquires all of the CUA Units it or its custodian does not already own
New CMA Debt Facilities	a new three and five year debt facility to replace CUA's existing debt facility, the key terms of which have been agreed with the lenders
New CMA Unit	a CMA Unit to be issued to Scheme Unitholders under the Scheme (or, in the case of Ineligible Foreign Unitholders, to the Nominee)
Nominee	Moelis Australia Securities Pty Limited ACN 122 781 560 as the nominee for Ineligible Foreign Unitholders to whom the Scrip Consideration consisting of CMA Units will be issued for sale, with the proceeds (net of brokerage) being distributed to the Ineligible Foreign Unitholders post implementation of the Scheme
Notice of Meeting	the notice of meeting contained in this Explanatory Memorandum in Annexure 1
NTA	in respect of a registered managed investment scheme, total assets of a scheme, minus any intangible assets, less all liabilities of the scheme
PDS	a Product Disclosure Statement
Prescribed Occurrence	Bidder Prescribed Occurence in relation to CPFL or a Target Prescribed Occurence in relation to CPF2L as those terms are defined in the Scheme Implementation Agreement
Pro Forma Financial Information	has the meaning given in Section 8.8.1
Proposal	the proposal by CPFL to acquire CUA Units from CUA Unitholders to be implemented pursuant to the Scheme
Proxy Form	the form by which a CUA Unitholder may appoint a proxy to vote on the Resolutions without attending the Meeting in person, a copy of which is enclosed with this Explanatory Memorandum
Record Date	19 June 2017

Defined Term	Meaning
REIT	real estate investment trust
Related Body Corporate	has the meaning given in section 50 of the Corporations Act
Resolutions	the resolutions to be considered at the Meeting as set out in the Notice of Meeting
Responsible Entity	in respect of a registered management investment scheme, the company named in ASIC's record of the scheme's registration as responsible entity
Sale Facility	the sale facility described in Section 5.3
Scheme	the arrangement under which CPFL acquires all of the CUA Units from CUA Unitholders (other than those CUA Units in respect of which CPFL or its custodian is the registered holder on the Record Date) in return for providing the Scheme Consideration, which is facilitated by amendments to the CUA Constitution as set out in the Supplemental Deed
Scheme Consideration	the consideration to be provided by CPFL to Scheme Unitholders under the Scheme, being the Cash Consideration and the Scrip Consideration
Scheme Implementation Agreement	means the scheme implementation agreement dated 3 March 2017 between CPFL, Centuria Property Funds Limited as Responsible Entity of Centuria Metropolitan REIT No. 2 and CPF2L, as amended by a deed of amendment dated 21 April 2017
Scheme Unitholder	each person who is a CUA Unitholder on the Record Date other than CPFL or its custodian
Scrip Consideration	0.88 New CMA Units for every 1 CUA Unit
Superior Proposal	has the meaning given in the Scheme Implementation Agreement
Supplemental Deed	the supplemental deed to be entered into by CPF2L amending the CUA Constitution, as set out in Annexure 3
Taxation Report	the taxation report prepared by Ernst & Young, which is in Section 11
TOF	360 Capital Office Fund, the previous name of CUA
US Securities Act	United States Securities Act of 1933
Voting Record Date	7:00 pm 13 June 2017
VWAP	the volume weighted average price being a trading benchmark calculated by adding up the dollars traded for every transaction (price multiplied by number of shares traded) and then dividing by the total securities traded for the day
WALE	weighted average lease expiry

Annexure 1 – Notice of Meeting

Centuria Property Funds No. 2 Limited ACN 133 363 185 (**CPF2L**), in its capacity as Responsible Entity for the Centuria Urban REIT ARSN 106 453 196 (**CUA**), gives notice that a meeting of the members of CUA will be held on the date and at the time and place set out below:

Time: 10:00am (Sydney time)

Date: Wednesday, 14 June 2017

Place: Level 39, 100 Miller Street, North Sydney NSW 2060

At the meeting, members of CUA will be asked to consider and, if thought fit, to pass the following resolutions:

Resolution 1 – Acquisition Resolution

That the following resolution be considered and, if thought fit, passed as an ordinary resolution:

"That, subject to the passing of Resolution 2, for the purposes of item 7 section 611 of the Corporations Act 2001 (Cth) and for all other purposes, the acquisition of units in the Centuria Urban REIT ARSN 106 453 196 by Centuria Property Funds Limited ACN 086 553 639, as Responsible Entity of Centuria Metropolitan REIT ARSN 124 364 718, on the terms set out in the Explanatory Memorandum accompanying this Notice of Meeting, be approved."

Resolution 2 – Constitutional Amendment Resolution

That the following resolution be considered and, if thought fit, passed as a special resolution:

"That, subject to the passing of Resolution 1, in accordance with section 601GC(1)(a) of the Corporations Act 2001 (Cth), the Constitution of the Centuria Urban REIT ARSN 106 453 196 be amended as set out in the Supplemental Deed attached as Annexure 3 to the Explanatory Memorandum accompanying this Notice of Meeting."

Notes

The Explanatory Memorandum accompanying this Notice of Meeting forms part of the Notice of Meeting and provides information relating to the Resolutions, how CPF2L will implement the Resolutions, and its reasons for proposing the Resolutions. In particular, Section 4 contains further details about the Meeting and how to vote.

Capitalised terms used in the Resolutions have the meaning given to them in the Explanatory Memorandum.

Required majorities

Resolution 1 is an ordinary resolution and will not be passed unless more than 50% of the votes cast on the resolution are cast in favour of the resolution by CUA Unitholders entitled to vote.

Resolution 2 is a special resolution and will not be passed unless at least 75% of the votes cast on the resolution are cast in favour of the resolution by CUA Unitholders entitled to vote.

Conditional Resolutions

Resolutions 1 and 2 are inter-conditional. This means that a Resolution will not proceed and votes will not be considered unless an earlier conditional Resolution has been passed (e.g. if Resolution 1 is not passed then Resolution 2 will not be considered). A Resolution will be of no effect if a later conditional resolution is not passed (e.g. if Resolution 1 is passed but Resolution 2 is not, then Resolution 1 is of no effect).

Entitlement to vote

Pursuant to Corporations Regulation 7.11.37, CPF2L has determined that, subject to the voting exclusions referred to below, for the purposes of determining voting entitlement at the meeting, CUA Units will be taken to be held by persons who are registered as CUA Unitholders on the CUA Register at 7:00pm on Tuesday, 13 June 2017. Any transfers of CUA Units after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

The persons referred to in Section 12.1 of the Explanatory Memorandum are excluded from voting on the Resolutions.

Voting will be conducted by poll.

Dated: 12 May 2017

By order of the Board of Centuria Property Funds No. 2 Limited
as Responsible Entity of the Centuria Urban REIT

Annexure 2 – Deed Poll

HWL EBSWORTH
LAWYERS

Deed Poll

Centuria Property Funds Limited in its capacity as responsible entity of the Centuria Metropolitan REIT

In favour of each Target Unitholder as at the Record Date

Ref CJ:JL:644518

Doc ID 407391553/v2

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HWL EBSWORTH LAWYERS

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HWL EBSWORTH LAWYERS

Deed Poll

Date May 2017

This deed poll is made by:

Centuria Property Funds Limited ACN 086 553 639 in its capacity as responsible entity of Centuria Metropolitan REIT ARSN 124 364 718

of Level 39, 100 Miller Street, North Sydney, New South Wales 2060

(**Bidder RE**)

In favour of:

Each Target Unitholder as at the Record Date

Recitals

A. Centuria Property Funds Limited in its capacity as responsible entity of Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656 entered into the Scheme Implementation Agreement with Target RE to implement the Scheme, being a scheme pursuant to which Bidder RE will acquire all of the Target Units in return for the payment of the Scheme Consideration, subject to the satisfaction of certain conditions.

B. The name of Centuria Metropolitan REIT No. 1 has been changed to Centuria Metropolitan REIT (**CMR**).

C. Pursuant to clause 3.3 of the Scheme Implementation Agreement, each reference in that agreement to 'Bidder RE' is to be read as a reference to the Bidder RE in its capacity as responsible entity of CMR.

D. Bidder RE is entering into this deed poll for the purpose of covenanting in favour of the Scheme Unitholders that it will perform its obligations under the Scheme.

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1. Definitions and interpretation clauses

1.1 Definitions

In this deed poll:

Scheme Implementation Agreement	means the scheme implementation agreement dated 3 March 2017 between Centuria Property Funds Limited in its capacity as responsible entity of Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656 and Target RE, as amended by a deed of amendment dated 21 April 2017, under which, amongst other things, Target RE has agreed to propose the Scheme to Target Unitholders, and each of Target RE and Bidder RE has agreed to take certain steps to give effect to the Scheme.
Scheme Unitholder	means a Target Unitholder as at the Record Date.
Supplemental Deed	means the supplemental deed in the form set out in Annexure A to this deed poll.

Unless the context otherwise requires, terms defined in the Scheme Implementation Agreement have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 1.2 of the Scheme Implementation Agreement applies to the interpretation of this deed poll, except that references to 'this agreement' are to be read as references to this 'deed poll'.

1.3 Nature of deed poll

Bidder RE agrees that this deed poll may be relied on and enforced by any Scheme Unitholder in accordance with its terms and conditions even though the Scheme Unitholders are not party to it.

2. Conditions and termination

2.1 Conditions

The obligations of Bidder RE under this deed poll are subject to the Scheme becoming Effective.

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2.2 **Termination**

If the Scheme Implementation Agreement is terminated or the Scheme does not become Effective on or before the End Date, the obligations of Bidder RE under this deed poll will automatically terminate and the terms of this deed poll will be of no further force or effect, unless Target RE and Bidder RE otherwise agree in accordance with the Scheme Implementation Agreement.

2.3 **Consequences of termination**

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other available rights, powers or remedies:

(a) Bidder RE is released from its obligations to further perform this deed poll except those obligations under clause 7.1 and any other obligations which by their nature survive termination; and

(b) each Scheme Unitholder retains the rights they have against Bidder RE in respect of any breach of this deed poll that occurs before termination.

3. Scheme obligations

3.1 **Performance of obligations generally**

Bidder RE will comply with its obligations under the Scheme Implementation Agreement to do all acts and things as may be necessary or desirable on its part to give full effect to the Scheme.

3.2 **Undertakings in favour of Scheme Unitholders**

Subject to clause 2, Bidder RE undertakes in favour of each Scheme Unitholder to:

(a) provide to, or procure the provision to, each Scheme Unitholder the Scheme Consideration for each Target Unit held by them as at the Record Date in accordance with the terms of the Scheme and the Supplemental Deed; and

(b) undertake all other actions to be performed by it under the Scheme and the Supplemental Deed.

3.3 **Bidder Units to rank equally**

Bidder RE covenants in favour of each Scheme Unitholder that the Bidder Units to be issued as part of the Bidder Scrip Consideration will:

(a) be issued on terms such that each such Bidder Unit will rank equally in all respects with each existing Bidder Unit;

(b) be:

(i) validly issued in accordance with all applicable laws and the Bidder Constitution;

(ii) fully paid; and

(c) be free from any mortgage, charge, lien, encumbrance or other security interests.

4. Warranties by Bidder RE

Bidder RE represents and warrants that:

(a) it is a corporation validly existing under the laws of its place of incorporation;

(b) it has the corporate power and power under the Bidder Constitution to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;

(c) subject to the holders of Bidder Units approving the acquisition by Bidder RE of the Target Units held by Centuria Investment Holdings Pty Limited as trustee of Centuria Capital No. 2 Office Fund for the purposes of ASX Listing Rule 10.1, it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance by it of this deed poll;

(d) this deed poll is valid and binding on it and is enforceable against it in accordance with its terms;

(e) this deed poll does not conflict with or result in the breach of or default under any provision of its constitution or the Bidder Constitution, any material term or provision of any material agreement or any writ, order or injunction, judgement, law, rule, regulation or instrument to which it is party or subject or of which it is bound;

(f) it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets; and

(g) Bidder RE has been properly appointed as responsible entity of the Bidder and no action has been taken or proposed to remove it as responsible entity of the Bidder.

5. Continuing obligations

This deed poll is irrevocable and remains in full force and effect until:

(a) Bidder RE has fully performed its obligations under this deed poll; or

(b) the earlier termination of this deed poll under clause 2.2.

6. Limitation of Bidder RE liability

(a) Bidder RE enters into this deed poll in its capacity as responsible entity of the Bidder and in no other capacity. A liability arising under or in connection with this deed poll is limited to and can be enforced against Bidder RE in its capacity as responsible entity of the Bidder only to the extent to which it can be and is in fact satisfied out of property of the Bidder from which the Bidder RE is actually indemnified for the liability. This limitation of Bidder RE's liability applies despite any other provision of this deed poll and extends to all liabilities and obligations of the Bidder RE in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this deed poll.

(b) No Scheme Unitholder may sue the Bidder RE in any capacity other than as the responsible entity of the Bidder, including seeking the appointment of a receiver (except in relation to property of the Bidder), a liquidator, an administrator or any similar person to the Bidder RE or proving in any liquidation, administration or arrangement of or affecting the Bidder RE (except in relation to property of the Bidder).

(c) The provisions of this clause 6 will not apply to any obligation or liability of Bidder RE to the extent that it is not satisfied because, under the Bidder Constitution or by operation of law, there is a reduction in the extent of Bidder RE's indemnification out of the assets of the Bidder as a result of Bidder RE's failure to properly perform its duties as responsible entity of the Bidder.

(d) Nothing in clause 6(a) will make the Bidder RE liable to any claim for an amount greater than the amount which the Bidder RE would have been able to claim and recover from the assets of the Bidder in relation to the relevant liability if the Bidder RE's right of indemnification out of the assets of the Bidder had not been prejudiced by failure to properly perform its duties.

(e) The Bidder RE is not obliged to do or refrain from doing anything under this deed poll (including incur any liability) unless its liability is limited in the same manner as set out in this clause 6.

7. General

7.1 **Stamp duty**

Bidder RE will:

(a) pay or procure the payment of all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under this deed poll; and

(b) indemnify each Scheme Unitholder against any liability from failure to comply with clause 7.1(a).

7.2 **Notices**

(a) Any notice or other communication to Bidder RE, Target RE or the Scheme Unitholders in connection with this deed poll must be:

(i) in legible writing in English;

(ii) signed by the person making the communication or that person's duly authorised agent;

(iii) if to the Target RE or Scheme Unitholders, addressed to:

Attention: Doug Hoskins

Address: Level 39, 100 Miller Street, North Sydney NSW 2060

Email: Doug.Hoskins@centuria.com.au

during normal business hours with a copy to:

Addressee: James Lonie, HWL Ebsworth

Address: Level 14, 264 George Street, Sydney, NSW, 2000

Email: jlonie@hwle.com.au

(iv) if to the Bidder RE, addressed to:

Attention: Nicholas Blake

Address: Level 39, 100 Miller Street, North Sydney NSW 2060

Email: Nicholas.Blake@centuria.com.au

during normal business hours with a copy to:

Addressee: Louella Stone, Minter Ellison

Address: Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000

Email: Louella.Stone@minterellison.com

(b) Any notice or other communication given in accordance with clause 7.2(a) will be deemed to have been duly delivered, if delivered by hand or by email, at the time of receipt, and if sent by post, on the Business Day following posting.

7.3 **Waiver**

(a) Waiver of any right arising from a breach of this deed poll or any right, power, authority, discretion or remedy arising upon default under this deed poll must be in writing and signed by the party granting the waiver.

(b) A failure or delay in exercise, or partial exercise, of:

(i) a right arising from a breach of this deed poll; or

(ii) a right, power, authority, discretion or remedy created or arising upon default under this deed poll,

does not result in a waiver of that right, power, authority, discretion or remedy.

(c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right, power, authority, discretion or remedy arising from a breach of this deed poll or on default under this deed poll as constituting a waiver of that right, power, authority, discretion or remedy.

(d) A party may not rely on any conduct of another party as a defence to the exercise of a right, power, authority, discretion or remedy by that other party.

7.4 Cumulative rights

The rights, powers and remedies of each of Bidder RE and the Scheme Unitholders under this deed poll are cumulative with and do not exclude the rights, powers or remedies provided by law independently of this deed poll.

7.5 Amendment

A provision of this deed poll may be varied or amended by supplemental deed poll made in favour of each Scheme Unitholder, but only if the variation or amendment is agreed to in writing by Target RE.

7.6 Further assurances

Bidder RE must do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

7.7 Governing law

This deed poll is governed by the laws in force in New South Wales, Australia. Bidder RE irrevocably and unconditionally submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this deed poll.

7.8 Assignment

The rights and obligations of Bidder RE and the rights of each Scheme Unitholder under this deed poll are personal and must not be assigned, charged or otherwise dealt with at law or in equity.

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Signing page

Executed as a deed poll

Executed by **Centuria Property Funds Limited ACN 086 553 639 in its capacity as responsible entity of Centuria Metropolitan REIT ARSN 124 364 718** in accordance with section 127(1) of the *Corporations Act 2001* (Cth) by:

Signature of Director	Signature of Director/Company Secretary
Full name (print)	Full name (print)

Annexure 3 – Supplemental Deed

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Supplemental deed amending the Centuria Urban REIT Constitution ARSN 106 453 196

Centuria Property Funds No. 2 Limited as responsible entity of Centuria Urban REIT

CJ:JL:644518
Doc ID 407391403/v2

Level 14, Australia Square, 264-278 George Street, Sydney NSW 2000 Australia
GPO Box 5408, Sydney NSW 2001 Australia
DX 129 Sydney

Telephone +61 2 9334 8555
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Supplemental deed amending the Centuria Urban REIT Constitution ARSN 106 453 196

Date

Party

Centuria Property Funds No. 2 Limited ACN 133 363 185 as responsible entity of Centuria Urban REIT ARSN 106 453 196

(**Trustee**)

Recitals

A. By a trust deed the Centuria Urban REIT trust (**Trust**) was established.

B. The Trust is a managed investment scheme registered under Chapter 5C of the Corporations Act.

C. The Trustee is the trustee and responsible entity of the Trust.

D. Pursuant to clause 15 of the Constitution and section 601GC(1)(a) of the Corporations Act, the Trustee may modify the Constitution by deed if authorised by a special resolution of the Members.

E. On 14 June 2017, the Members approved by special resolution the modifications of the Constitution to facilitate the Trust Scheme set out in this deed (**Resolution**).

F. The Trustee proposes to execute this deed to modify the Constitution in the manner set out in this deed to give effect to the Resolution.

G. The Trustee modifies the Constitution as set out in this deed with effect from the Effective Date.

It is declared as follows:

1. Definitions and interpretation clauses

1.1 Definitions

In this deed (including the Recitals) the following definitions apply unless the context requires otherwise:

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ASIC	means the Australian Securities and Investments Commission.
Bidder RE	means Centuria Property Funds Limited ACN 086 553 639 in its capacity as responsible entity of CMR.
CMR	means Centuria Metropolitan REIT ARSN 124 364 718.
Constitution	means the trust deed by which the Trust was established, as amended.
Corporations Act	means the *Corporations Act 2001 (Cth).*
Effective Date	means the date and time on which a copy of this deed is, or the modifications set out in it are, lodged with ASIC under section 601GC(2) of the Corporations Act.
Member	means a persons whose name is entered in the Register as the holder of a Unit.
Register	means the register of members kept as required by the Corporations Act.
Resolution	has the meaning given in Recital E.
Unit	has the meaning given in the Constitution.
Trust Scheme	means the arrangement under which Bidder RE acquires Units from Members, facilitated by the amendments to the Constitution set out in this deed.

1.2 Interpretation

(a) Unless otherwise defined in this deed or a contrary intention is expressed, a word or phrase defined in the Constitution has the same meaning when used in this deed.

(b) Unless otherwise specified in this deed or the Constitution or a contrary intention is expressed, a word or phrase defined in the Corporations Act has the same meaning when used in this deed.

(c) Unless a contrary intention is expressed, clause 1.3 of the Constitution (Interpretations) applies to this deed as if set out in full in this deed.

2. Supplemental deed

This deed is supplemental to the Constitution.

3. Modification of Constitution

On and from the Effective Date, the Constitution is modified in the manner set out in the Schedule.

4. Effective Date

Pursuant to section 601GC(2) of the Corporations Act, the amendments to the Constitution take effect from the date that an executed copy of this deed is, or the modifications set out in it are, lodged with ASIC.

5. Amendments not to affect validity, rights, obligations

(a) An amendment to the Constitution does not affect the validity or enforceability of the Constitution.

(b) Nothing in this deed:

(i) except as contemplated in the amendments to the Constitution described in clause 4, prejudices or adversely affects any right, power, authority, discretion or remedy arising under the Constitution before the Effective Date; or

(ii) discharges, releases or otherwise affects any liability or obligation arising under the Constitution before the Effective Date.

6. Conflict

If there is a conflict between the Constitution and this deed, the terms of this deed prevail.

7. No re-declaration

For the avoidance of doubt, the Responsible Entity by this deed is not:

(a) re-declaring the Trust;

(b) resettling the Trust; or

(c) causing the transfer, vesting or accruing of property to or in any person.

8. Binding conditions

This deed is binding on the Responsible Entity and each present and future Member and any person claiming through any of them as if each was a party to this deed.

9. Governing law and jurisdiction

This deed is governed by the laws of Victoria.

10. Severability

If anything in this deed is unenforceable, illegal or void then it is severed and the rest of this deed remains in force.

Executed as a deed poll

Executed by **Centuria Property Funds No. 2 Limited ACN 133 363 185** in its capacity as responsible entity of Centuria Urban REIT ARSN 106 453 196 in accordance with section 127 of the *Corporations Act 2001* (Cth) by:

Signature of Director	Signature of Director/Company Secretary
Full name (print)	Full name (print)

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Schedule - Amendments to the Constitution

The Constitution is amended as follows:

1. Clause 1.2 - Definitions

In clause 1.2 of the Constitution, insert the following new definitions in alphabetical order:

"**Bidder RE** has the meaning given in clause 24.1."

"**Scheme** means the arrangement by which all of the Scheme Units will be transferred to Bidder RE for the Scheme Consideration in accordance with the Scheme Provisions."

"**Scheme Consideration** has the meaning given in clause 24.1."

"**Scheme Provisions** means the provisions of clause 24."

"**Scheme Units** has the meaning given in clause 24.1."

2. Clause 6 - Trustee's powers

Insert new subclause 6.7 as follows:

"**6.7 Power to give effect to the Scheme**

The Trustee has power to give effect to the Scheme including power to do all things that it considers necessary, desirable or reasonably incidental to give effect to the Scheme."

3. Clasue 19.4 - Paramountcy

In clause 19.4, replace the words "and 20" with the words ", 20 and 24".

4. Clause 24 - Scheme

Insert new clause 24 as follows:

"**24 Scheme**

24.1 Definitions

In addition to the definitions in clause 1.2, the following definitions apply in this clause:

Bidder RE means Centuria Property Funds Limited ACN 086 553 639 in its capacity as responsible entity of CMR.

Bidder Unit means a fully paid ordinary unit in CMR to be issued to Scheme Unitholders (or, in the case of Ineligible Overseas Target Unitholders, to the Nominee) under the Scheme.

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Bidder Unitholder Register means the register of holders of units in CMR from time to time, as administered by Bidder RE (or by Bidder RE's registrar on behalf of Bidder RE).

Cash Consideration means $0.23 cash for each Scheme Unit.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement Pty Ltd ACN 008 504 532.

CMR means Centuria Metropolitan REIT ARSN 124 364 718.

Effective Date means the date on which the amendments to this deed to facilitate the Scheme take effect pursuant to section 601GC(2) of the Corporations Act.

Implementation Date means the date for implementation of the Scheme, being 29 June 2017 or such other date as Bidder RE and the Trustee agree in writing.

Ineligible Overseas Target Unitholder means a Scheme Unitholder whose address as shown in the Register on the Record Date is a place outside Australia and its external territories and New Zealand unless Bidder RE determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Unitholder with Bidder Units in accordance with the Scheme.

Nominee means a nominee appointed by the Trustee.

Record Date means 7.00pm (Sydney time) on 19 June 2017 or such other date as Bidder RE and the Trustee agree in writing.

Registry means the unit registry services provider to the Trustee.

Scheme Consideration means the Scrip Consideration and the Cash Consideration.

Scheme Meeting means the meeting of Unitholders to consider and, if thought fit, to pass the Scheme Resolutions.

Scheme Resolutions means the following resolutions of Unitholders:

(a) an ordinary resolution for the purpose of item 7 of section 611 of the Corporations Act to approve the acquisition by Bidder RE of all of the Scheme Units; and

(b) a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to this deed to facilitate the Scheme.

Scheme Transfer means, in relation to each Scheme Unitholder, a proper instrument of transfer of their Scheme Units for the purpose of section 1071B of the Corporations Act (which may be a master transfer of all or part of all of the Scheme Units).

Scheme Unit means a Unit on issue as at the Record Date together with all rights, obligations and restrictions attaching to that Unit (other than a Unit which Bidder RE or its custodian is the registered holder of on the Record Date).

Scheme Unitholder means a Unitholder holding one or more Scheme Units as at the Record Date.

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Scrip Consideration means 0.88 of a Bidder Unit for each Scheme Unit.

Trust Account means an Australian dollar denominated trust account operated by the Trustee (or by the Registry on the Trustee's behalf) as trustee for Scheme Unitholders.

24.2 Implementation of Scheme

(a) Each Scheme Unitholder and the Trustee must do all things and execute all documents as the Trustee considers necessary or desirable to give full effect to the Scheme, the Scheme Provisions and the transactions contemplated by them.

(b) The Trustee may do any act, matter or thing pursuant to this clause 24 notwithstanding that it has an interest in the act, matter or thing or any consequence thereof.

(c) On the Implementation Date, the Trustee must transfer the Scheme Units to Bidder RE in accordance with clause 24.5 subject to Bidder RE having provided the Scheme Consideration in the manner contemplated by clause 24.3.

(d) Subject to clause 1.5, this clause 24 has effect despite any other provision of this deed and a provision of this deed that is inconsistent with this clause 24 does not have effect to the extent of the inconsistency.

(e) The provisions of this clause 24 are subject to, and any right or discretion of the Trustee set out in this clause 24 must be exercised in accordance with, the Corporations Act, any applicable ASIC instrument and the Listing Rules.

24.3 Scheme Consideration

(a) Each Scheme Unitholder is entitled to receive the Scheme Consideration for each Scheme Unit it holds.

(b) To facilitate the provision of the Scrip Consideration, the Trustee must deliver to Bidder RE before 12:00pm on the Implementation Date a master application for the Bidder Units constituting the Scrip Consideration duly completed and executed by the Trustee as the attorney and agent of each Scheme Unitholder as applicant, in a form reasonably acceptable to Bidder RE.

(c) Subject to clause 24.4, the Trustee must procure Bidder RE to:

(i) before 12:00 pm on the Implementation Date, provide the Scrip Consideration to each Scheme Unitholder by issuing to each Scheme Unitholder such number of Bidder Units to which that Scheme Unitholder is entitled pursuant to the Scheme;

(ii) before 12.00 pm on the Implementation Date, update the Bidder Unitholder Register to reflect the issue of Bidder Units to each Scheme Unitholder as Scrip Consideration;

(iii) within five Business Days after the Implementation Date, despatch to each Scheme Unitholder, to their address recorded in the Register on the Record Date, an uncertificated holding statement for the Bidder Units issued to that Unitholder in accordance with the Scheme. In the case of Scheme Units held in joint names, holding statements for Bidder Units must be issued in the names of the joint holders and sent to the holder whose name appears first in the Register on the Record Date; and

(iv) lodge an Appendix 3B *New issue announcement, application for quotation of additional securities and agreement* with ASX in respect of the Bidder Units issued under this clause 24.3, in accordance with the timetable in the Listing Rules.

(d) If the number of Scheme Units held by a Scheme Unitholder is such that the aggregate entitlement of that Unitholder to Scrip Consideration is such that a fractional entitlement to Scrip Consideration arises, then the entitlement of that Unitholder must be rounded down to the nearest whole number of Bidder Units.

(e) The Trustee must procure Bidder RE, before 12.00pm on the Implementation Date, to deposit in cleared funds into the Trust Account an amount equal to the aggregate amount of the Cash Consideration payable to Scheme Unitholders. Any interest on the amount deposited (less bank fees and charges) will be credited to Bidder RE's account.

(f) On the Implementation Date, subject to Bidder RE having complied with its obligations in clause 24.3(e), the Trustee must pay or procure the payment, from the Trust Account, to each Scheme Unitholder the Cash Consideration to which the Scheme Unitholder is entitled under clause 24.3(a).

(g) The obligations of the Trustee under clause 24.3(f) will be satisfied by the Trustee (at its discretion):

(i) where a Scheme Unitholder has, before the Record Date, made a valid election in accordance with the requirements of the Registry to receive distribution payments from the Trustee by electronic funds transfer to a bank account nominated by the Scheme Unitholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election; or

(ii) otherwise, whether or not the Scheme Unitholder has made an election referred to in clause 24.3 (g)(i), despatching, or procuring the despatch of, a cheque for the relevant amount in Australian currency to the Scheme Unitholder by prepaid post to their address on the Register on the Record Date, such cheque being drawn in the name of the Scheme Unitholder (or, in the case of joint holders, at the discretion of the Trustee, the joint holders or

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the holder whose name appears first in the Register as at the Record Date).

(h) Where the calculation of the Cash Consideration to be paid to a Scheme Unitholder would result in that Unitholder becoming entitled to a fraction of a cent, that fractional entitlement will be rounded down to the nearest whole cent.

(i) The Trustee may cancel a cheque issued under this clause 24.3 if the cheque is returned to the Trustee or the Registry or has not been presented for payment within six months after the date on which the cheque was sent. If a cheque has been cancelled, the Trustee must, on request from the Scheme Unitholder to whom the cheque was despatched made within 12 months from the Implementation Date, reissue the cheque.

(j) The *Unclaimed Money Act 2008* (VIC) will apply to any Cash Consideration that becomes 'unclaimed money' (as defined in section 3 of that Act). Any interest on unclaimed Cash Consideration will be to the benefit of Bidder RE.

(k) If after Bidder RE has acquired the Scheme Units in accordance with the Scheme and the Trustee has complied with its obligations under clause 24.3(f), there is a surplus in the Trust Account, then subject to applicable laws, that surplus (less any bank fees and charges) will be paid by the Trustee (or the Registry on the Trustee's behalf) to Bidder RE.

24.4 Ineligible Overseas Target Unitholders

(a) The Trustee will, before the Implementation Date, appoint a Nominee.

(b) The Nominee will participate in the Scheme in the same way as Scheme Unitholders who are not Ineligible Overseas Target Unitholders.

(c) Each Ineligible Overseas Target Unitholder is taken to agree that Bidder RE will be under no obligation under the Scheme to issue, and will not issue, any Bidder Units to any Ineligible Overseas Target Unitholder, and instead will issue the Bidder Units to which that Ineligible Overseas Target Unitholder would otherwise have been entitled to the Nominee.

(d) The Trustee will procure that, as soon as reasonably practicable and in any event no more than:

(i) 15 Business Days after the Implementation Date, the Nominee sells all of the Bidder Units issued to the Nominee pursuant to clause 24.4(c) in such manner, at such price and on such terms as the Nominee determines in good faith and at the risk of the Ineligible Overseas Target Investor, having regard to the desire to achieve the best price reasonably available at the time; and

(ii) 25 Business Days after the Implementation Date, the Nominee remits to the relevant Ineligible Overseas Target Unitholders the proportion of the net proceeds of sale to which that Ineligible Overseas Target Unitholder is entitled, calculated by dividing the gross proceeds of sale of all Bidder Units sold by the Nominee

(rounded to the nearest cent, after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) by the total number of Bidder Units that are sold by the Nominee.

24.5 Transfer of Scheme Units

Subject to the Scheme Consideration having been provided in accordance with clause 24.3, on the Implementation Date:

(a) all of the Scheme Units (with all rights, obligations and restrictions attaching to them) will be transferred to Bidder RE or its custodian by the Trustee as attorney and agent for Scheme Unitholders in accordance with clause 24.8;

(b) the Trustee will deliver to Bidder RE duly completed Scheme Transfers to transfer all of the Scheme Units to Bidder RE. The Scheme Transfers must be duly executed by the Trustee as transferor on behalf of each Scheme Unitholder in accordance with clause 24.8;

(c) Bidder RE or its custodian must execute the Scheme Transfers as transferee, attend to stamping of the transfer forms (if required) and deliver them to the Trustee for registration;

(d) immediately after receipt of the Scheme Transfers under clause 24.5(c), the Trustee must update, or procure the Registry to update, the Register to reflect Bidder RE or its custodian as the holder of all of the Scheme Units; and

(e) Bidder RE will be beneficially entitled to the Scheme Units transferred to it under this clause 24.5 pending registration by the Trustee of the name and address of Bidder RE or its custodian in the Register as the holder of the Scheme Units.

24.6 Dealings in Units

(a) In determining the persons who are Scheme Unitholders and the number of Units held by them, the Trustee need only recognise the persons shown in the Register on the Record Date.

(b) For the purposes of clause 24.6(a):

(i) for dealings of the type effected using CHESS, the Trustee will only recognise transferees registered in the Register as the holder of the relevant Units by the Record Date; or

(ii) for all other dealings, where the Registry receives registrable transfers or transmission applications in respect of those dealings by 5.00pm (Sydney time) on the Record Date, the Trustee must register those transfers or transmission applications before the Record Date.

(c) After the Record Date, Scheme Units may not be disposed of or dealt with in any way by a Scheme Unitholder (or any person claiming through them) including any agreement to dispose of any Scheme Units or any interest in them and the Trustee will not accept for registration any attempt to do so.

(d) By 9.00 am on the Implementation Date, the Trustee must give, or cause to be given, to Bidder RE details of the names, addresses and holdings of every Scheme Unitholder as shown in the Register as at the Record Date in such form as Bidder RE may reasonably require.

(e) Other than in respect of Bidder RE, after registration of all Scheme Units transferred to it or its custodian under clause 24.5, from the Record Date all certificates and holding statements for Scheme Units will cease to have effect as documents of title in respect of those Scheme Units (except as evidence of entitlement to the Scheme Consideration).

24.7 Scheme Unitholder covenants and undertakings

(a) Without the need for any further act by a Scheme Unitholder, each Scheme Unitholder:

(i) acknowledges that this clause 24 binds all of the Unitholders from time to time (including those who do not attend the Scheme Meeting, those who do not vote at the Scheme Meeting and those who vote against the Scheme Resolutions);

(ii) irrevocably agrees to transfer their Scheme Units (with all rights and entitlements attaching to them) to Bidder RE in accordance with the terms of the Scheme and the Scheme Provisions;

(iii) irrevocably agrees to the variation, cancellation or modification of the rights attached to their Scheme Units constituted by or resulting from the Scheme, the Scheme Provisions or the transactions contemplated by them;

(iv) irrevocably consents to the Trustee and Bidder RE doing all things and executing all documents necessary or desirable to give full effect to the Scheme, the Scheme Provisions and the transactions contemplated by them; and

(v) is deemed to have warranted to the Trustee in its own right and on behalf of Bidder RE, that all the Scheme Units they transfer to Bidder RE under the Scheme Provisions (including any rights and entitlements attaching to them) will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances and adverse interests of any nature and that they have full power and capacity to sell and transfer the legal and beneficial ownership in those Scheme Units together with any rights attaching to those units to Bidder RE pursuant to the Scheme and the Scheme Provisions.

(b) Each Scheme Unitholder (other than an Ineligible Overseas Target Unitholder) irrevocably agrees, on or before the issue of Bidder Units to it, to become a member of CMR and to be bound by the constitution of CMR, without the need for any further act by that Scheme Unitholder.

(c) Each Scheme Unitholder agrees to provide the Trustee with any information reasonably required by the Trustee to comply with any law in respect of the Scheme and the transactions contemplated by the Scheme Provisions.

(d) From the Effective Date until the Trustee registers the name and address of Bidder RE or its custodian as the holder of the Scheme Units in the Register, each Scheme Unitholder is deemed to have appointed the Trustee as its attorney and agent (and directed the Trustee in such capacity) to appoint the Chairman of Bidder RE (or other nominee of Bidder RE) as its sole proxy and, where applicable, corporate representative to attend Unitholder meetings of the Trust, exercise votes attaching to the Scheme Units of which they are the registered holder and sign any Unitholders' resolutions (whether in person, by proxy or by corporate representative) other than pursuant to this clause 24.7(d). The Trustee undertakes in favour of each Scheme Unitholder that it will appoint the Chairman of Bidder RE (or other nominee of Bidder RE) as the Scheme Unitholder's proxy or, where applicable, corporate representative in accordance with this clause 24.7(d).

24.8 Appointment of Trustee as attorney and agent

(a) Each Scheme Unitholder, without the need for any further act by that Scheme Unitholder:

(i) irrevocably appoints the Trustee (and each of its directors and officers) as that Scheme Unitholder's attorney and agent for the purpose of; and

(ii) consents to the Trustee (and each of its directors and officers),

doing all things and executing all documents the Trustee considers necessary or desirable to give full effect to the Scheme, the Scheme Provisions and the transactions contemplated by them (including executing any application forms and consents required for Bidder Units to be issued to that Scheme Unitholder (or, in the case of Ineligible Overseas Target Unitholders, to the Nominee) and executing and delivering the Scheme Transfers).

(b) The Trustee may sub-delegate its functions, authorities or powers under this clause 24.8 to all or any of its directors, officers and employees.

(c) Each Scheme Unitholder indemnifies the Trustee and each of its directors, officers and employees for any loss, damage, expense or other liabilities incurred in properly performing or exercising any powers under this clause.

HWL EBSWORTH LAWYERS

24.9 Suspension and removal from the official list of ASX

(a) The Trustee must apply to ASX for suspension of trading of the Scheme Units on ASX with effect from the close of business on the trading day after the Effective Date.

(b) Following implementation of the Scheme in accordance with the Scheme Provisions, the Trustee must apply to ASX for removal of the Trust from the official list of ASX with effect from the Business Day immediately following the Implementation Date or such later date determined by Bidder RE.

24.10 Stamp duty

Any stamp duty payable on the transfer of Scheme Units to Bidder RE pursuant to the Scheme will be payable by Bidder RE.

24.11 Limitation of liability

Without limiting clause 7.2, and subject to the Corporations Act, the Trustee will not be liable to Holders for any acts or omissions in connection with the implementation of the Scheme to any greater extent than the extent to which the Trustee is entitled to be, and is actually indemnified out of, the Fund.

24.12 Reimbursement of Trustee's expenses

Without limiting clause 10.4, and subject to the Corporations Act, all expenses and liabilities incurred by the Trustee in connection with the Scheme or in performing its obligations or exercising its powers under the Scheme Provisions are payable or reimbursable out of the Fund on a full indemnity basis."

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Corporate Directory

Responsible Entity (CUA)

Centuria Property Funds No. 2 Limited
Level 39
100 Miller Street
North Sydney NSW 2060

Responsible Entity (CMA)

Centuria Property Funds Limited
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100 Miller Street
North Sydney NSW 2060

Directors of CPF2L

John Slater (Chairman)
Michael Figg
Robert Lloyd

Directors of CPFL

Peter Done (Chairman)
Darren Collins
Matthew Hardy
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Taxation Adviser

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CMA Registry

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