ASX Announcement - Company Announcements Platform

Centuria Property Funds Limited

Centuria Metropolitan REIT

CPFL Dispatches Centuria Metropolitan REIT Explanatory Memorandum

Wednesday, 17 May 2017

Further to the announcement dated 21 April 2017 regarding the update on the offer made by Centuria Property Funds Limited (**CPFL**) as Responsible Entity for Centuria Metropolitan REIT (**CMA**) to acquire all of the units in Centuria Urban REIT (**CUA**) (other than those units in CUA in respect of which CPFL or its custodian is the registered holder) (the **Scheme**), CPFL wishes to advise that the attached copy of the Notice of Meeting and Explanatory Memorandum will be dispatched to eligible CMA unitholders on or about Friday, 19 May 2017.

As previously highlighted, the Scheme is conditional upon CMA unitholders approving the acquisition of units in CUA held by a subsidiary of Centuria Capital Group (**CNI**) for the purposes of ASX Listing Rule 10.1 (the **Resolution**). CNI currently holds 19.99% of the CUA units on issue. In consultation with the ASX, it was determined that as CNI is a related party of CPFL, CMA unitholders would be given the opportunity to vote on the Resolution.

The Independent Directors of CPFL unanimously recommend that non-associated CMA Securityholders vote in favour of the Resolution.

An independent expert was appointed and concluded that the Resolution is fair and reasonable to the holders of CMA's ordinary securities whose votes are not to be disregarded

The approval of the Resolution is a condition to the Scheme Implementation Agreement that needs to be satisfied in order for the Scheme to be implemented. The Resolution will be put before the CMA Securityholders for approval at a meeting to be held on Wednesday, 14 June 2017 at 9.30am at Level 39, 100 Miller Street, North Sydney NSW 2060.

- Ends -

For further information, please contact:

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About Us

Centuria Property Funds Limited (CPFL), a wholly-owned subsidiary of Centuria Capital Group (CNI), is the Responsible Entity for the ASX-listed Centuria Metropolitan REIT (CMA). CMA focusses on investing in office and industrial assets in metropolitan markets across Australia and holds a portfolio of assets valued at $417.5 million diversified across Sydney, Brisbane and Adelaide.

CPFL has approximately $1.6 billion of property under management in 14 unlisted property funds and 1 listed fund.

CPFL, combined with Centuria Property Funds No.2 Limited (CPF2L), the Responsible Entity for the ASX listed Centuria Urban REIT (CUA) and Centuria Industrial REIT (CIP), has approximately $3.0 billion of funds under management in 18 unlisted property funds and 3 listed REITs.

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

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- Ends -

Centuria

Notice of Meeting and Explanatory Memorandum

Centuria Property Funds Limited ACN 086 553 639 as Responsible Entity of Centuria Metropolitan REIT

The Independent Directors of CPFL unanimously recommend that you vote in favour of the resolution.

A Meeting of the Investors of Centuria Metropolitan REIT ARSN 124 364 718 will be held at Level 39, 100 Miller Street, North Sydney NSW 2060, on 14 June 2017 at 9.30 am

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.

The Independent Expert has concluded that the Unit Acquisition is **fair and reasonable** to the holders of CMA's ordinary securities whose votes are not to be disregarded.

Corporate Adviser

MOELIS AUSTRALIA

Legal Adviser

MinterEllison

Important Notices

Responsible Entity

CPFL is the Responsible Entity of CMA. Unless the context otherwise requires in this Explanatory Memorandum, a reference to CPFL is a reference to it in its capacity as Responsible Entity of CMA.

Introduction

CPFL is pleased to invite all CMA Securityholders to the Meeting to be held at 9.30 am on 14 June 2017.

The purpose of the Meeting is to give each CMA Securityholder an opportunity to vote on the Resolution. This Explanatory Memorandum contains details of the proposed Resolution, details of the Unit Acquisition and instructions on how to vote.

What is this document?

This Explanatory Memorandum provides CMA Securityholders with information about the Unit Acquisition and the Resolution that is being put to the CMA Securityholders.

To properly understand the Unit Acquisition and the Resolution, this Explanatory Memorandum must be read in its entirety.

ASX

A copy of this Explanatory Memorandum has been lodged with the ASX. Neither the ASX nor any of their officers takes any responsibility for the content of this Explanatory Memorandum.

Investment advice

This Explanatory Memorandum is important and requires your immediate attention. It should be read in its entirety before making a decision on how to vote on the Resolution.

The information in this Explanatory Memorandum is not a financial product or investment advice nor a recommendation in respect of the CMA Securities. It is general information only, and does not take into account your individual investment objectives, financial situation or needs. Before deciding how to vote or act, CMA Securityholders should consider the appropriateness of the information in this Explanatory Memorandum having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. If you are in doubt as to what you should do, you should consult a licensed professional adviser.

Forward-looking statements

This Explanatory Memorandum contains certain forward-looking statements which are not based solely on historical facts, but are rather based on CPFL's current expectations about future events and results.

These forward-looking statements are subject to inherent risks, uncertainties and assumptions, and may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of CPFL and which could cause actual events or results to differ materially from the expectations, events, results, values, performance or achievements expressed or implied in any forward-looking statement. Deviations are both normal and to be expected in such forward-looking statements.

The past performance of CMA is no guarantee of the future performance of CMA. Except to the extent required by law, none of CPFL, the CPFL Directors, any member of the Centuria Group or their respective officers or employees, any person named in this Explanatory Memorandum with their consent or any person involved in the preparation of this Explanatory Memorandum, makes any representation, warranty, assurance or guarantee (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events, results, values, performance or achievements expressed or implied in any forward-looking statement. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements. The forward-looking statements in this Explanatory Memorandum reflect views held only as at the date of this Explanatory Memorandum.

Risks

The Scheme is conditional upon, among other things, the CMA Securityholders approving the Unit Acquisition for the purposes of Listing Rule 10.1. Should the Resolution be approved by the CMA Securityholders, a separate meeting of CUA Unitholders will be held to consider and, if thought appropriate, approve the Scheme (on the basis that all other conditions to the Scheme will have been satisfied). Accordingly, the risk factors associated with the Scheme will be relevant to the CMA Securityholders in considering whether or not to approve the Resolution, as the Scheme will not be implemented if the Resolution is not passed. You should carefully read Section 5 which sets out risk factors associated with the Scheme.

Charts, maps and diagrams

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

Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available as at 12 May 2017.

Timetable and dates

All times and dates referred to in this Explanatory Memorandum are times and dates in Australian Eastern Standard Time, being the time in Sydney, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Unit Acquisition (and the Scheme) may change.

Financial amounts

All financial amounts in this Explanatory Memorandum are expressed in Australian currency unless otherwise stated.

All financial and operational information set out in this Explanatory Memorandum is current as at the date of this Explanatory Memorandum, unless otherwise stated.

Defined terms

Capitalised terms and certain abbreviations used in this Explanatory Memorandum are defined in the Glossary in Section 6.

Unless the contrary intention appears, the context requires otherwise or words are defined in Section 6, words and phrases in this Explanatory Memorandum have the same meaning and interpretation as in the Corporations Act.

Date

This Explanatory Memorandum is dated 12 May 2017.

Contents

Important dates

Event	Date
Latest date for return of your Proxy Form	**12 June 2017 at 9.30am**
Date and time to determine a CMA Securityholder's eligibility to vote on the Resolution at the Meeting	**13 June 2017 at 7.00pm**
Date and time of the Meeting	**14 June 2017 at 9.30am**

Notes:

All dates in the above timetable are indicative only. Any changes to the above timetable will be announced through ASX and notified on Centuria's website at http://www.centuria.com.au/metropolitan-reit/home/. CPFL reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws.

What action you should take

CMA Securityholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolution.

The Meeting of CMA Securityholders will be held at Level 39, 100 Miller Street, North Sydney NSW 2060, on 14 June 2017 at 9.30am.

A Proxy Form is enclosed with this Explanatory Memorandum. This is to be used by CMA Securityholders if they wish to appoint a representative (a proxy) to vote in their place at the Meeting. All CMA Securityholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to CPFL in accordance with the proxy return instructions. Lodgement of a Proxy Form will not preclude a CMA Securityholder from attending the Meeting in person.

CMA Securityholders can vote by:

- Attending the Meeting; or
- Completing and returning the Proxy Form included with this Explanatory Memorandum:

By mail to:
Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001
(a reply paid envelope is enclosed)

In person to:
Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067

By facsimile to:
1800 783 447 (within Australia)
(+61 3) 9473 2555 (outside Australia)

Online at:
www.investorvote.com.au

To use this facility please follow the instructions on the Proxy Form.

Online for Intermediary Online Users only at:
www.intermediaryonline.com
so as to be received before 9.30am (Sydney time) on 12 June 2017.

If you are in any doubt as to how to deal with this Explanatory Memorandum, you should consult with your professional adviser.

Letter from the Independent Directors of CPFL

On 3 March 2017, Centuria Property Funds Limited as Responsible Entity for Centuria Metropolitan REIT (**CMA**) (**CPFL**) announced that it had entered into a Scheme Implementation Agreement with Centuria Property Funds No. 2 Limited as Responsible Entity of Centuria Urban REIT (**CUA**) (**CPF2L**). If approved by CMA Securityholders and CUA Unitholders, and subject to certain conditions being satisfied, CPFL will acquire all of the issued units in CUA from the CUA Unitholders (other than those CUA Units in respect of which CPFL or its custodian is the registered holder on the relevant date) in a "NTA-for-NTA" merger of equals transaction by way of a 'trust scheme' (**Scheme**).

The CPFL Board formed an independent board committee (**IBC**) which was tasked with considering the Scheme from the point of view of CMA Securityholders who are not-associated with CPFL.

Scheme Consideration

If CMA Securityholders approve the Unit Acquisition, CUA Unitholders approve the Scheme and the other conditions in the Scheme Implementation Agreement are satisfied or waived and the Scheme is implemented, eligible CUA Unitholders will receive total consideration comprised of the following:

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

The Scheme Consideration has been calculated based on the relative pro forma NTA per security of CMA and CUA as at 31 December 2016 and represents a merger of equals on this basis; that is, the implied value of the Scheme Consideration (based on CMA's pro forma NTA as at 31 December 2016 of $2.32 per CMA Security) is equivalent to the pro forma NTA per CUA Unit of $2.27.

Background to CMA Meeting

On 21 April 2017, CPFL announced that the parties to the Scheme Implementation Agreement entered into a deed of amendment to the Scheme Implementation Agreement to provide, amongst other things, that implementation of the Scheme is conditional upon the CMA Securityholders approving the acquisition as part of the Scheme of the CNI Units held by Centuria Investment, a wholly owned subsidiary of Centuria Capital Limited for the purposes of ASX Listing Rule 10.1 (**Unit Acquisition**). Centuria Investment currently holds 14,648,622 CUA Units, equal to 19.99% of the CUA Units on issue as at the date of this Explanatory Memorandum.

Centuria Investment is a related party of CPFL. Accordingly, the CMA Securityholders are being given the opportunity to vote on the Unit Acquisition.

Why should you vote in favour of the Unit Acquisition?

The approval of the Resolution is a condition to the Scheme Implementation Agreement that needs to be satisfied in order for the Scheme to be implemented. Implementation of the Scheme is consistent with CMA's strategy to invest in metropolitan office markets in Australia and combines two highly complementary property portfolios to provide CMA Securityholders with an enhanced investment proposition relative to CMA on a standalone basis including:

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

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

Independent Expert Report

CPFL engaged Deloitte Corporate Finance Pty Limited (**Independent Expert**) to prepare the Independent Expert's Report to opine on the Unit Acquisition.

The Independent Expert has concluded that the Unit Acquisition is **fair and reasonable** to the holders of CMA's ordinary securities whose votes are not to be disregarded.

Annexure A contains a copy of the Independent Expert's Report.

Recommendation of the Independent Directors of CPFL

The Independent Directors of CPFL unanimously recommend that non-associated CMA Securityholders vote in favour of the Resolution.

Meeting to consider approving the Unit Acquisition

The Unit Acquisition will be put before the CMA Securityholders for approval at a Meeting to be held on 14 June 2017 at 9.30am (Sydney time).

CPFL will disregard any votes cast on a resolution by:

- CPFL and any of its associates; and
- Centuria Investment and any of its associates.

However, CPFL need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form as the proxy decides.

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

If you have any questions in relation to the Unit Acquisition, please contact the CMA Securityholder 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 Independent Expert's Report, we are pleased to present this opportunity to CMA Securityholders and look forward to your participation at the Meeting.

Your vote is important and the Independent Directors of CPFL encourage you to vote in favour of the Resolution.

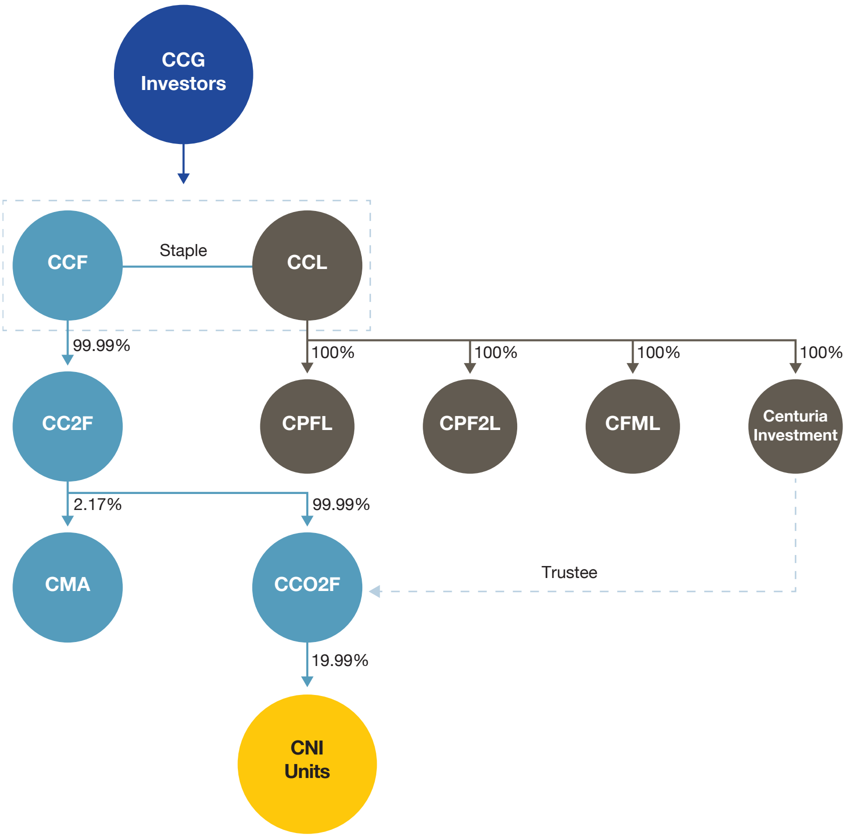
Yours sincerely

Matthew Hardy
Independent Director
Centuria Property Funds Limited
as Responsible Entity of
the Centuria Metropolitan REIT

Darren Collins
Independent Director
Centuria Property Funds Limited
as Responsible Entity of
the Centuria Metropolitan REIT

1. Relevant information in relation to the Unit Acquisition

Matter	Information
Explanatory Memorandum and Notice of Meeting	
What is this document and why has it been sent to me?	This document is a Notice of Meeting and Explanatory Memorandum that has been sent to you because you are a securityholder of CMA. CMA Securityholders are being asked to vote on the Resolution to approve the Unit Acquisition. This Explanatory Memorandum is intended to help CMA Securityholders to decide how to vote on the Resolution at the Meeting.
Scheme Overview	
What is the Scheme?	On 3 March 2017 CPFL announced that it had entered into a 'NTA-for-NTA' merger of equals transaction, documented in the Scheme Implementation Agreement with CPF2L, to acquire all of the issued units in CUA (other than those CUA Units in respect of which CPFL or its custodian is the registered holder on the relevant date) in return for providing the Scheme Consideration.
What Scheme Consideration is given to eligible CUA Unitholders?	The Scheme Consideration to be given by CPFL to each eligible CUA Unitholder is: • 0.88 New CMA Security for every 1 CUA Unit held; and • $0.23 cash for every 1 CUA Unit held. The Scheme Consideration has been calculated on an 'NTA-for-NTA' basis and determined based on the relative pro forma NTA per CMA Security and CUA Unit as at 31 December 2016. Based on the current disclosed NTA for CMA (as at 31 December 2016) of $2.32 per security, the implied offer price for eligible CUA Unitholders is $2.27 per CUA security, an amount equal to the NTA of CUA as at 31 December 2016.
Unit Acquisition Overview	
What is the Unit Acquisition?	Centuria Investment holds the CNI Units, which represent 19.99% of all of the units on issue in CUA. The 'Unit Acquisition' is the acquisition by CPFL of the CNI Units from Centuria Investment as part of the Scheme. It is proposed that the CNI Units be acquired at the same time and on the same terms as the other CUA Units acquired by CPFL pursuant to the Scheme. The Scheme is conditional upon, among other things, the CMA Securityholders passing the Resolution.

Why is CMA Securityholder approval being sought?	Listing Rule 10.1 provides that before a listed entity such as CMA acquires a 'substantial asset' from a 'related party', it must first obtain the approval of the holders of its ordinary securities. For the reasons explained below, the Unit Acquisition involves CPFL acquiring a substantial asset from a related party. As such, CMA seeks the approval of the CMA Securityholders for the purposes of Listing Rule 10.1 and for all other purposes.
Why is Centuria Investment a related party of CPFL for the purposes of Listing Rule 10.1?	CNI is a stapled group, comprising shares in CCL which are stapled to units in CCF. CFML is the Responsible Entity of CCF. CC2F is a sub-trust of CCF. CFML is the trustee of CC2F. CCO2F is a sub-trust of CC2F. Centuria Investment is the trustee of CCO2F and holds the CNI Units.  Each trustee company in this structure (namely CFML and Centuria Investment) are wholly owned subsidiaries of CCL. CPFL is also a wholly owned subsidiary of CCL. Accordingly, CPFL and Centuria Investment are related parties for the purposes of Listing Rule 10.1.
Why are the CNI Units a 'substantial asset' for the purposes of Listing Rule 10.1?	Listing Rule 10.2 provides that an asset is substantial if its value or the consideration for it is 5% or more of the equity interests of the relevant entity. Based on the implied value of the CUA Units under the terms of the Scheme, the CNI Units would be a 'substantial asset' for the purposes of the Listing Rule 10.2 as the aggregate value of the Scheme Consideration payable in respect of the CNI Units is an amount in excess of 5% of the equity interests of CMA.

What consideration will Centuria Investment receive?	**Under the Scheme, Centuria Investment will receive the same consideration on a per security basis as all other CUA Unitholders.** The Scheme is being carried out on arm's length terms. In particular: • each of CMA and CUA engaged separate lawyers and financial advisors; • each of CMA and CUA established their own independent board committees; and • negotiations in relation to the Scheme were conducted on arm's length terms. Centuria Investment holds 14,648,622 CUA Units. Accordingly it will receive 12,899,748 New CMA Securities in Scrip Consideration and $3,369,183.06 in Cash Consideration. Relevantly, in the Centuria Group: • as part of the Scheme, CPFL's fees, as Responsible Entity of CMA, will not increase; • CCL, via its wholly owned subsidiaries, CPFL and CPF2L, already earns fees acting as Responsible Entities of CMA and CUA respectively; • CCL will not earn new or additional fees and no related party of CPFL will obtain an increase in fees, whether directly or indirectly, as a result of the implementation of the Scheme; and • 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, in line with CMA.
What is the purpose of the Resolution?	The Resolution is to approve, for the purposes of Listing Rule 10.1 and for all other purposes, the acquisition by CPFL of the CNI Units as part of the Scheme. That approval for the purposes of Listing Rule 10.1 is a condition to the implementation of the Scheme.
Recommendation of the Independent Directors of CPFL	
Do the Independent Directors of CPFL recommend the Unit Acquisition?	Yes, the Independent Directors of CPFL unanimously recommend that CMA Securityholders vote in favour of the Resolution to approve the Unit Acquisition.

1. Relevant information in relation to the Unit Acquisition (continued)

Independent Expert's Report	
Is there an independent expert report?	Yes, in accordance with Listing Rule 10.10.2, the Directors engaged the Independent Expert to review the Unit Acquisition and provide an independent expert's report in relation to the Unit Acquisition. **The Independent Expert has concluded that, in its opinion, the Unit Acquisition is fair and reasonable to the holders of CMA's ordinary securities whose votes are not to be disregarded.** A copy of the Independent Expert's Report is set out in Annexure A to this Explanatory Memorandum.
Potential benefits, disadvantages and risks of the Scheme	
Why should I vote in favour of the Unit Acquisition?	The Resolution being approved by CMA Securityholders for the purposes of Listing Rule 10.1 is a condition to the implementation of the Scheme. If this condition, and the other conditions precedent, are satisfied and the Scheme is implemented, the Independent Directors of CPFL consider that there are a number of potential benefits for CMA Securityholders. In particular, the Scheme combines two highly complementary property portfolios and provides CMA Securityholders with an enhanced investment proposition relative to CMA on a standalone basis including: • a material increase in scale with CMA's investment property portfolio increasing 54% to over $602 million;[1] • accretive to CMA's FY18 distributable earnings per security; • an enhanced portfolio and tenant diversification; • a cost efficient acquisition structure that minimises transaction costs and NTA dilution compared to acquiring assets in the direct market; and • an improved trading liquidity and increased market capitalisation with the potential for ASX / S&P 300 index inclusion. More detail on the Merged Group is set out in Section 4.

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

Why might I consider voting against the Unit Acquisition?	The Independent Directors of CPFL have unanimously recommended that CMA Securityholders vote in favour of the Resolution, and the Independent Expert has concluded that the Unit Acquisition is fair and reasonable to the holders of CMA's ordinary securities whose votes are not to be disregarded. Nevertheless there may be potential disadvantages associated with the Unit Acquisition. CMA Securityholders may consider voting against the Resolution due to those potential disadvantages. In particular: • notwithstanding the unanimous recommendation of the Independent Directors and the Independent Expert's opinion that the Unit Acquisition fair and reasonable to the holders of CMA's ordinary securities whose votes are not to be disregarded, you may believe that the Unit Acquisition is not in your best interests. • transaction costs of approximately $3.1m, one off swap termination costs of $1.6m and stamp duty of approximately $1.2m will be incurred by CMA as a result of the Unit Acquisition and Scheme. $0.7m of transaction costs associated with implementing the Scheme has been incurred and will be payable by CPFL regardless of whether the Scheme is implemented. • the implementation of the Scheme is expected by CPFL to result in CMA's NTA per CMA Security reducing from $2.32 to $2.29. This reduction is largely due to the transaction costs detailed above and CPF2L incurring $0.9m of additional transaction costs in relation to the Scheme. • There are risks associated with the Scheme. See Section 5 for details of the key risks.
Meeting details, voting and approval thresholds	
What will happen if the Resolution is approved?	If the Unit Acquisition is approved by CMA Securityholders, and all remaining conditions to implementation of the Scheme are satisfied or otherwise waived, it is expected that the Scheme (including the Unit Acquisition) will be implemented on or around 29 June 2017 (**Implementation Date**). It is currently proposed that a meeting of the CUA Unitholders will be held immediately following the Meeting to approve the Scheme.
What will happen if the Unit Acquisition does not proceed?	If the Resolution is not passed at the Meeting, the Unit Acquisition will not proceed, the conditions precedent to the Scheme will not have been met and, accordingly, CMA will not implement the Scheme. If this condition precedent is not satisfied, CPFL will be obliged to pay CPF2L an amount equal to the reasonable, actual costs or out of pocket expenses payable by CPF2L in connection with the Scheme, up to a maximum of $500,000.
Entitlement to distributions	CMA Securityholders will be entitled to a distribution of not more than 4.375 cents per CMA Security to be paid in respect of the period 1 April 2017 to the Distribution Entitlement Date (expected to be 28 June 2017). The payment of any such distribution is expected to occur around four weeks after the end of the current financial year.

How do I vote?	CMA Securityholders can vote by: • Attending the Meeting; or • Completing and returning the Proxy Form included with this Explanatory Memorandum: **By mail to:** Computershare Investor Services Pty Limited: GPO Box 242 Melbourne Victoria 3001 (a reply paid envelope is enclosed) **In person to:** Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067 **By facsimile to:** 1800 783 447 (within Australia) (+61 3) 9473 2555 (outside Australia) **Online at:** **www.investorvote.com.au** To use this facility please follow the instructions on your enclosed Proxy Form. **Online for Intermediary Online Users only at:** **www.intermediaryonline.com** so as to be received before 9.30am (Sydney time) on 12 June 2017.
Who can vote on the Resolution?	CPFL will disregard any votes cast on the Resolution by: • Centuria Investment and any of its associates; and • CPFL and any of its associates. However, CPFL need not disregard a vote if: • it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or • is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form as the proxy decides.

2. Why you should vote FOR the Unit Acquisition

2.1 The Independent Directors of CPFL unanimously recommend that CMA Securityholders vote in favour of the Resolution

The Resolution being approved for the purposes of Listing Rule 10.1 is a condition precedent to the implementation of the Scheme. If this condition precedent, and the other conditions precedent, are satisfied and the Scheme is implemented, the Independent Directors of CPFL consider that there are a number of potential benefits to CMA Securityholders as the Scheme can proceed of which the Unit Acquisition will be part. These potential benefits are set out below and are considered by the Independent Directors of CPFL as reasons why they recommend that CMA Securityholders should vote in favour of the Unit Acquisition as part of the Scheme.

For this reason, the Independent Directors of CPFL support the Unit Acquisition, believe it is in the best interests of CMA Securityholders and unanimously recommend that CMA Securityholders vote in favour of the Resolution.

2.2 The Independent Expert has concluded that the Unit Acquisition is fair and reasonable to the holders of CMA's ordinary securities whose votes are not to be disregarded

The Independent Directors of CPFL appointed Deloitte Corporate Finance as the Independent Expert to prepare the Independent Expert's Report to provide an opinion as to whether the Unit Acquisition is fair and reasonable to the holders of CMA's ordinary securities whose votes are not to be disregarded.

The Independent Expert has concluded that the Unit Acquisition is fair and reasonable to the holders of CMA's ordinary securities whose votes are not to be disregarded.

CMA Securityholders should carefully review the Independent Expert's Report in Annexure A in its entirety.

2.3 Benefits of the Scheme

If the Unit Acquisition is approved and the Scheme is implemented, CMA Securityholders may enjoy the potential benefits which could flow from the Scheme. The Scheme remains consistent with CMA's strategy to invest in metropolitan office markets in Australia and combines two highly complementary property portfolios to provide CMA Securityholders with an enhanced investment proposition relative to CMA on a standalone basis including:

2.3.1 Material increase in scale with CMA's investment property portfolio increasing 54% to over $602 million[1]

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

2.3.2 Accretive to CMA's FY18 distributable earnings per security

If the Scheme is implemented, CPFL expects that distributable earnings accretion will be generated for CMA Securityholders.

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

	CMA stand-alone	CMA Post-implementation	Impact
FY18 pro forma distributable earnings impact			
FY18 pro forma distributable earnings per security	18.4 cents	18.6 cents	+0.9%

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

2.3.3 Enhanced portfolio and tenant diversification

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

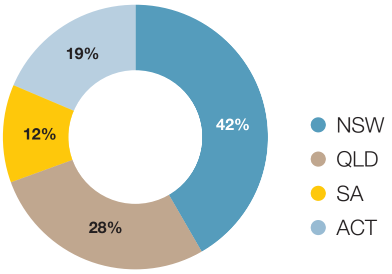
	CMA[2]	CUA	Merged Group
Number of properties	12	3	15
Net lettable area (m^2)	102,064	28,953	131,017
Book value ($m)	391.5	210.4	601.9
Weighted average lease expiry (by income)	4.1	4.6	4.2
Occupancy (by income)	98.7%	99.20%	98.8%
Capitalisation rate	7.57%	6.86%	7.32%

Geographic diversification

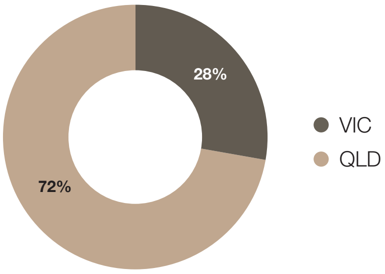
CMA maintains a geographically diverse portfolio of assets. The graphs below outline the change in geographic contribution of direct properties as a result of the implementation of the Scheme:

Geographic exposure (by book value)

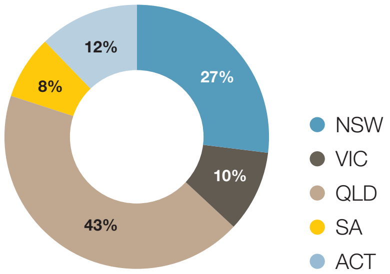
CMA standalone



CUA standalone



Merged Group



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.

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	% income
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%

2.3.4 Cost efficient acquisition structure minimises NTA dilution compared to acquiring assets in the direct market

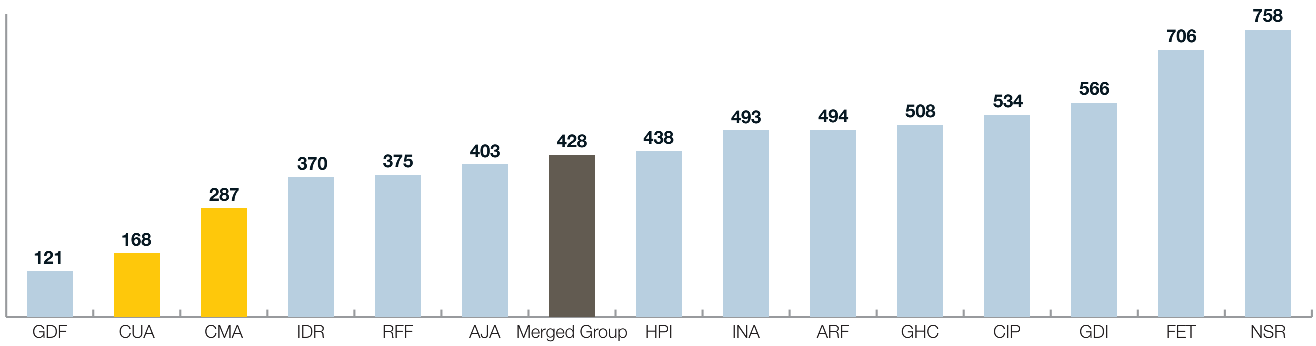
The availability of concessional stamp duty results in a cost efficient acquisition structure that minimises NTA dilution.

2.3.5 Improved trading liquidity and increased market capitalisation with the potential for ASX / S&P 300 index inclusion

The Merged Group is expected by CPFL:

- to have greater relevance for securityholders through significant increased scale relative to CMA 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 CMA Securityholders looking to buy or sell units in the Merged Group.

Market Capitalisation[3] of S&P/ASX 300 A-REIT constituents < A$1.5bn (A$m)



3. Market capitalisation based on closing prices of securities on 11 May 2017 (being the last trading day prior to this Explanatory Memorandum).

3. Why you should vote AGAINST the Unit Acquisition

The Independent Directors of CPFL have unanimously recommended that CMA Securityholders vote in favour of the Resolution, and the Independent Expert has concluded that the Unit Acquisition is fair and reasonable to the holders of CMA's ordinary securities whose votes are not to be disregarded.

The Resolution being approved for the purposes of Listing Rule 10.1 is a condition to the implementation of the Scheme. If this condition, and other conditions precedent, are satisfied and the Scheme is implemented there may be potential disadvantages which are outlined below in this Section 3.

CMA Securityholders may consider voting against the Resolution due to those potential disadvantages.

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

Notwithstanding the unanimous recommendation of the Independent Directors of CPFL and the Independent Expert's opinion that the Unit Acquisition is fair and reasonable to the holders of CMA's ordinary securities whose votes are not to be disregarded, you may believe that the Unit Acquisition is not in your best interests.

3.2 You may disagree with the Unit Acquisition

There may be reasons as to why you believe that the implementation of the Scheme is not in your best interests, including:

- CPFL will be responsible for stamp duty of $1.2m, one off swap termination costs of $1.6m and other transaction costs of $3.1m in relation to the implementation of the Scheme. $0.7m of transaction costs associated with implementing the Scheme have been incurred and will be payable by CPFL regardless of whether the Scheme will be implemented;
- the implementation of the Scheme is expected by CPFL to result in a reduction in CMA NTA value per CMA Security from $2.32 to $2.29 (notwithstanding the implementation of the Scheme and considered on a standalone basis). This reduction is largely due to the transaction costs detailed above and CPF2L incurring $0.9m of additional transaction costs in relation to the Scheme; and
- the risks associated with the Scheme. See Section 5 for details of the key risks.

However, if the Resolution is not approved CPFL will be obligated to pay CPF2L an amount equal to the reasonable actual costs or out of pocket expenses payable by CPF2L in connection with the Scheme, up to a maximum of $500,000.

4. Overview of the Merged Group

If the Resolution is approved, all other conditions precedent to the Scheme are either satisfied or waived and the Scheme is approved by the CUA Unitholders, then immediately post implementation of the Scheme CUA will be a wholly-owned sub-trust of CMA. Set out below is the profile of the Merged Group. Additional information is also contained in the notice of meeting given to CUA Unitholders in relation to the Scheme.

4.1 Profile of the Merged Group

4.1.1 Merged Group – Overview

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

- a material increase in scale with CMA's investment property portfolio increasing 54% to over $602 million[1];
- accretive to CMA's FY18 distributable earnings per security;
- an enhanced portfolio and tenant diversification;
- a cost efficient acquisition structure that minimises NTA dilution compared to acquiring assets in the direct market; and
- an 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 CFPL Board and senior management team with substantial experience in the property industry and property related finance, accounting and legal services.

4.1.2 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

	CMA[2]	CUA	Merged Group
Number of properties	12	3	15
Net lettable area (m^2)	102,064	28,953	131,017
Book value ($m)	391.5	210.4	601.9
Weighted average lease expiry (by income)	4.1	4.6	4.2
Occupancy (by income)	98.7%	99.20%	98.8%
Capitalisation rate	7.57%	6.86%	7.32%

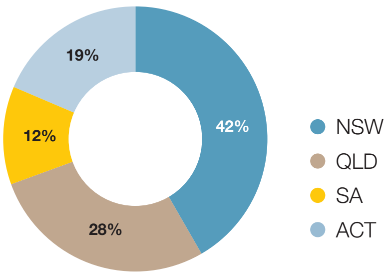
4.1.3 Geographic diversification

CMA maintains a geographically diverse portfolio of assets. The graphs below outline the change in geographic contribution of direct properties as a result of the Scheme:

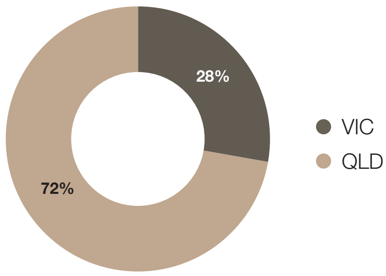
1. Combination of CMA and CUA investment property book value, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.
2. As at 31 December 2016, with pro forma adjustments to reflect the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017.

Geographic exposure (by book value)

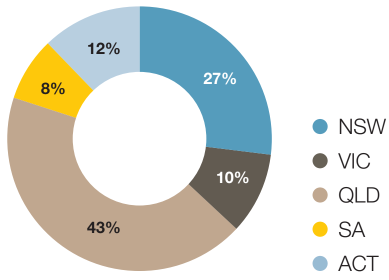
CMA standalone



CUA standalone



Merged Group



4.1.4 Tenant diversification

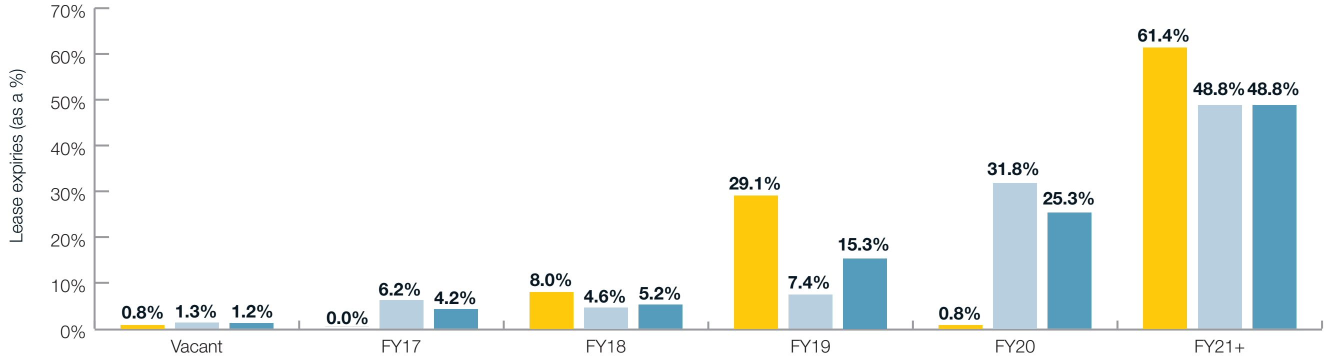
The combination of two complementary portfolios will broaden exposure to quality, blue chip tenants, enhance CMA's ability to accommodate current and future tenant needs and provide exposure to new tenants who do not currently occupy a CMA owned property. This diversification means that no single key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

Rank	Tenant	% income
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%

4.1.5 Lease expiry profile

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

Lease expiries (% of net lettable area)



4.1.6 Capital management

Funding of the Scheme

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

Sources	8.76% stake[3]	Scheme	Total	Uses	8.76% stake	Scheme	Total
CMA scrip issuance		136.4[4]	**136.4**	CUA Units (8.76%)	14.5		**14.5**
Debt	14.5	22.8	**37.2**	CUA Units (91.2%)		151.8[5]	**151.8**
				Transaction costs[6]		7.4	**7.4**
Total	14.5	159.2	**173.6**	Total	14.5	159.2	**173.6**

3. CMA acquired 8.76% interest in CUA (previously TOF) on 9 January for $14.5m based on acquisition prices of $2.25 per security.
4. CMA scrip issuance of $136.4m is calculated by the issue of 58.9m New CMA Securities at CMA's NTA of $2.32 per security.
5. CUA Units (91.2%) of $151.8m is calculated by the number of CUA Units to be acquired if the Scheme is implemented multiplied by the Scheme Consideration.
6. Transaction costs include termination of interest rate derivatives within CMA ($1.6m) and CUA ($0.6m), concessional stamp duty on the CUA portfolio ($1.2m) and general transaction costs payable by CPFL ($3.1m) and CPF2L ($0.9m).

Debt facility and hedging profile

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

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

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

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 fund the cash payment and transaction costs that will arise upon implementation of the Scheme.

CUA has $40.0 million hedged via interest rate swaps at a fixed rate of 2.64% pa (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

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.

4.1.7 Distributions

It is expected that post implementation of the Scheme, the Merged Group will maintain CMA's current distribution payout policy.

4.1.8 Capital structure

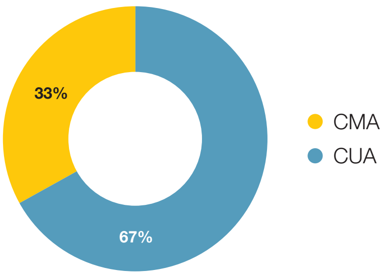
***CMA Securities on issue*[9]**

If the Scheme is implemented, CMA will issue approximately 58.9 million New CMA Securities to CUA Unitholders. As a result of the Scheme, the number of CMA Securities 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 Securities[10]	
Number of CMA Securities on issue	119.4 million
Number of new CMA Securities to be issued to CUA Unitholders if Scheme becomes Effective and is implemented	58.9 million
Total number of CMA Securities on issue after Scheme is implemented	178.3 million

Merged Group ownership structure

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



Substantial Merged Group Securityholders

If the Scheme is implemented, 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	32,189,227	18.1%
PEJR Investments Pty Ltd	13,096,667	7.3%

9. All references to the number of CMA Securities in this Section 4.1.8 are based on the number of issued securities as at 11 May 2016 (being the last trading day prior to this Explanatory Memorandum).
10. The number of CMA Securities listed in column two of this table are approximate and subject to rounding.

4.1.9 Corporate governance, board and management

The board and management arrangements and corporate governance arrangements of CMA are not expected to have any significant changes post implementation of the Scheme.

4.1.10 Rights and liabilities attaching to, and ranking of, New CMA Securities

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

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

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).

4.2 Merged Group financial information

In this Section 4 all references to a state of affairs are to be interpreted as existing at 31 December 2016, unless otherwise stated.

Overview

The pro forma financial information (**Pro Forma Financial Information**) contained in this Section 4 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 4 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 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 eligible CUA Unitholders receiving 0.88 New CMA Security for every one CUA Unit they hold on the relevant date, and Cash Consideration of 0.23 for every one CUA Unit they hold; and
- transaction costs of $7.4 million[11] 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) are as set out in Section 4.3.

4.2.1 CMA Consolidated Statement 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 the ASX on 9 February 2017, and is available at CMA's website at http://centuria.com.au/metropolitan-reit/home/

11. Transaction costs include termination of interest rate derivatives within CMA ($1.6m) and CUA ($0.6m), concessional stamp duty on the CUA portfolio ($1.2m) and general transaction costs payable by CPFL ($3.1m) and CPF2L ($0.9m).

$m	31 December 2016	Adjustment	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%

4.2.2 Pro Forma Historical Statement of Financial Position

Basis of preparation

This Section outlines the Pro Forma Consolidated Statement of Financial Position as though the Scheme 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 4.2.1.

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 increased to fund the acquisition of CMA's 8.76% stake in CUA on 9 January 2017 (prior to the implementation of the Scheme ($14.5m)), cash payment to CUA Unitholders in connection with the Scheme ($15.4m) and transaction costs associated with the Scheme ($7.4m)[12];
- reduction in derivative financial instruments liability reflecting CPFL's intention to terminate CUA and CMA's existing interest rate derivatives in conjunction with the Scheme; and
- the issue of 58.9m of New CMA Securities to fund the Scrip Consideration of the total Scheme Considerations. The number of New CMA Securities anticipated to be issued is based on the merger ratio of 0.88 CMA Securities for every CUA Unit.

4.2.3 Pro Forma Historical Statement of Financial Position ($m)

	Pro Forma 31 December 2016 CMA	Pro Forma 31 December 2016 CUA	Scheme 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
Rental guarantee	–	–	–	–
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**	**20.6**	**205.3**
NET ASSETS	**276.7**	**166.4**	**(34.3)**	**408.8**
Securities on issue (m)	119.4	73.3	58.9	178.3
NTA ($ per Security)	2.32	2.27		2.29
Gearing (ND/TTA)[13]	29.5%	18.6%		30.2%

12. Transaction costs include termination of interest rate derivatives within CMA ($1.6m) and CUA ($0.6m), concessional stamp duty on the CUA portfolio ($1.2m) and general transaction costs payable by CPFL ($3.1m) and CPF2L ($0.9m).
13. Net Debt / Total Tangible Assets (less cash and cash equivalents).

4.2.4 Standalone and pro forma forecast distributable earnings statements

The standalone and forecast financial information has been presented in this Section 4 to provide CMA Securityholders with a guide to the potential future performance of each of CMA and CUA on a standalone basis and the Merged Group.

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 Scheme 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 Scheme is not implemented; and
- additional pro forma adjustments which are forecast to be effective following implementation of the Scheme.

Best-estimate assumptions reflect the assessment of CMA (based on present circumstances) of anticipated economic and market conditions and the implementation of the respective management's business strategies. While these best-estimate assumptions are considered to be appropriate and reasonable at the time of preparing the forecast financial information, CMA Securityholders 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. The CMA Securityholders are advised to review the best-estimate assumptions and risk factors described in this Section 4 and make their own assessment of the future performance and prospects of CMA (post implementation of the Scheme). CMA Securityholders should know that 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 Securityholders 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.

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 Scheme.

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.

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 Scheme, 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 $0.1m 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 $0.3m;
- the additional interest expense reflects the additional debt that the Merged Group would incur in connection with the Scheme. In total, interest expense is expected to increase by a net $0.3m 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 $14.5m acquired on 9 January 2017, prior to implementation of the Scheme;
  - debt funding the cash payment associated with the Scheme, being $15.4m;
  - debt funding all transaction costs of $5.2m (including costs incurred by CUA as well as CMA and any applicable stamp duty);
  - debt funding the termination of CMA and CUA's existing interest rate derivatives ($2.2m); 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 58.9m New CMA Securities to fund the Scrip Consideration of the total Scheme Considerations. The number of New CMA Securities anticipated to be issued is based on the merger ratio of 0.88 CMA Securities for every CUA Unit.

Pro Forma Forecast Distributable Earnings Statement ($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	**18.4**	**15.0**		**18.6**

4.2.5 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 4 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**

5. Risk factors

5.1 Introduction

This Section sets out risk factors associated with the Scheme, including specific risks relating to the Merged Group and general investment risks shared by CMA with all REITs.

There are many risk factors that could adversely affect CMA's financial performance, financial position and cash flows including:

- risks specific to the Scheme;
- risks that are specific to CMA's existing business;
- risks of the Merged Group;
- general business risks common to REITs; and
- general risks.

This Explanatory Memorandum includes a discussion of these risk factors as the Scheme is conditional upon, among other things, the Resolution being passed at the Meeting.

If the Resolution is passed at the Meeting, a separate meeting of CUA Unitholders will be held to consider and, if thought fit, approve the Scheme (on the basis that all other conditions to the Scheme will have been satisfied) (**CUA Unitholder Meeting**). If the CUA Unitholders approve the Scheme, and the Scheme is implemented, eligible CUA Unitholders (other than ineligible foreign CUA Unitholders) will receive New CMA Securities.

If the Resolution is not passed at the Meeting, the Unit Acquisition will not proceed, the conditions precedent to the Scheme will not have been met and, accordingly CMA will not implement the Scheme.

Accordingly, CMA Securityholders may wish to consider these risk factors associated with the Scheme as part of their consideration as to whether or not to approve the Unit Acquisition.

The risk factors identified in this Section are not exhaustive and do not take into account any person's (including any individual CMA Securityholder's) investment objectives, financial situation, tax position or particular needs. These are some of the key risks in relation to the Scheme that are known to 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.

5.2 Risks specific to the Scheme

5.2.1 Due diligence

CPFL has conducted due diligence investigations of CUA in connection with the Scheme. 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 (or any other document in relation to the Scheme, such as the notice of meeting for the CUA Unitholder Meeting) 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 Scheme may be materially different to the financial position and performance expected by CPFL and reflected in this Explanatory Memorandum (or any notice of meeting for the CUA Unitholder Meeting).

5.2.2 Implementation risk

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 (including, but not limited to, CMA Securityholders approving the Unit Acquisition for the purposes of Listing Rule 10.1). Even if CMA Securityholders give this approval, it is possible that these conditions precedent may not be satisfied and that the Scheme may not proceed.

5.2.3 Market rating or equity price of CMA Securities

While the Independent Directors of CPFL believe that the Scheme will broaden the investor appeal of CMA, there is no guarantee that the price of CMA Securities will increase as a result of the Scheme.

5.2.4 Value of Scrip Consideration is not certain

The exact value of a New CMA Security is not certain. The value of the New CMA Securities will fluctuate and may significantly vary from the market value of CMA Securities on the date of this Explanatory Memorandum, the date of the Meeting, the date of the notice of meeting for the CUA Unitholder Meeting or the CUA Unitholder Meeting.

5.3 Risks specific to CMA

5.3.1 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.

5.3.2 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.

5.4 Risks of the Merged Group

5.4.1 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 Scheme 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 Scheme 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 Scheme. 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.

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.

5.4.2 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.

5.4.3 Taxation

Changes in tax law (including GST 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, '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 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%.

5.4.4 Forecast risks

The historical financial performance of CMA is no assurance or indicator of the future financial performance of CMA.

5.4.5 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.

5.5 REIT sector risks

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

5.5.1 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.

5.5.2 Leasing terms and tenant defaults

The future financial performance of 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.

5.5.3 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.

5.5.4 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.

5.5.5 Counterparty/Credit risk

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.

5.5.6 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.

5.5.7 Capital expenditure

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

5.5.8 Insurance

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

5.5.9 Force majeure risk

There are some events that are beyond the control of 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 REIT.

5.5.10 Regulatory issues and changes in law

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).

5.5.11 Competition

REITs face competition from within the 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 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 a REITs financial performance and returns to its investors.

5.5.12 Environmental

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.

5.6 General risks

5.6.1. Inflation

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

5.6.2. 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 the Merged Group operates could result in fines, penalties and compensation for damages as well as reputational damage.

6. Glossary

In this Explanatory Memorandum, the following terms have the meanings shown.

ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited as operator of the Australian Securities Exchange or the Australian Securities Exchange, as the context requires.
ATO	the Australian Taxation Office.
Business Day	a business day for the purposes of the ASX Listing Rules.
Cash Consideration	$0.23 cash for every one CUA Unit.
CC2F	Centuria Capital No. 2 Fund.
CCF	Centuria Capital Fund ARSN 613 856 358.
CCL	Centuria Capital Limited ACN 095 454 336.
CCO2F	Centuria Capital No. 2 Office Fund.
Centuria Group	the group of entities through which CCL carries on its business of investment bonds and property funds management and investment.
Centuria Investment	Centuria Investment Holdings Pty Limited ACN 116 455 862 in its capacity as trustee of CCO2F.
CFML	Centuria Funds Management Limited ACN 607 153 588 in its capacity as Responsible Entity for the CCF and the trustee of the CC2F.
CGT	Capital Gains Tax under the *Income Tax Assessment Act 1997* (Cth) and applicable regulations.
CMA	Centuria Metropolitan REIT ARSN 124 364 718.
CMA Security	a fully paid ordinary security in CMA.
CMA Securityholder	a registered holder of a security in CMA.
CNI Units	the 14,648,622 CMA Securities held by Centuria Investment in CUA.
Corporations Act	the *Corporations Act 2001* (Cth) and *Corporations Regulations 2001* (Cth).
CPF2L	Centuria Property Funds No. 2 Limited ACN 133 363 185 in its capacity as Responsible Entity of CUA.

CPFL	Centuria Property Funds Limited ACN 086 553 639 in its capacity as Responsible Entity for CMA.
CPFL Board	the board of directors of CPFL.
CPFL Director	a director of CPFL.
CUA	Centuria Urban REIT ARSN 106 453 196.
CUA Unit	a fully paid ordinary unit in CUA.
CUA Unitholder	a holder of a CUA Unit.
Dollars or $	Australian dollars.
Distribution Entitlement Date	the date which is the earlier of one day immediately prior to the Implementation Date and 30 June 2017.
Explanatory Memorandum	this document and includes its Annexures and the Proxy Form.
IBC	the independent board committee comprised of the Independent Directors of CPFL established to consider the Scheme (and the Unit Acquisition as part of the Scheme) from the point of view of non-associated securityholders.
Implementation Date	the date on which the Scheme is to be implemented (expected to be 29 June 2017).
Independent Directors of CPFL	Matthew Hardy and Darren Collins who sit on the Independent Board Committee of the CPFL Board.
Independent Expert	Deloitte Corporate Finance Pty Limited ABN 19 003 833 127.
Independent Expert's Report	the report prepared by the Independent Expert in respect of the Unit Acquisition, a copy of which is set out in Annexure A.
Listing Rules	the official listing rules of ASX.
Meeting	the Meeting of CMA Securityholders convened to consider the Unit Acquisition and the Resolution as detailed within the Notice of Meeting.
Merged Group	CMA assuming the Scheme is implemented 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 Securities	the CMA Securities to be issued to CUA Unitholders under the Scheme.
Notice of Meeting	the notice of meeting contained in Section 7.
NTA	the net tangible assets – calculated as the total assets of an entity, minus any intangible assets such as goodwill, patents and trademarks, less all liabilities.

Proxy Form	the form by which a CMA Securityholder may appoint a proxy to vote on the Resolution without attending the Meeting in person, a copy of which is enclosed with this Notice of Meeting.
REIT	an Australian real estate investment trust.
Registry	Computershare Investor Services Pty Limited.
Resolution	the resolution 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.
Scheme	the 'NTA-for-NTA' merger of equals transaction under which CPFL will acquire 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 relevant date) in return for providing the Scheme Consideration.
Scheme Consideration	the consideration to be provided by CPFL to eligible CUA Unitholders under the Scheme, being the Cash Consideration and the Scrip Consideration.
Scheme Implementation Agreement	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 deed of variation dated 21 April 2017.
Scrip Consideration	0.88 New CMA Security for every 1 CUA Unit held.
Section	a section of this Explanatory Memorandum.
Unit Acquisition	means the acquisition by CPFL of the CNI Units held by Centuria Investment as part of the Scheme as more fully described in Section 1.

7. Notice of Meeting

Notice is hereby given that a meeting of the holders of ordinary securities of Centuria Metropolitan REIT ARSN 124 364 718 (**CMA**) (**Meeting**) will be held at:

Place: Level 39, 100 Miller Street, North Sydney NSW 2060

Date: 14 June 2017

Time: 9.30am

ITEMS OF BUSINESS

The business of the Meeting is to consider and, if thought fit, to pass the following resolution as an ordinary resolution of the members of CMA (**Resolution**):

'That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the acquisition of the CNI Units from Centuria Investment as part of the Scheme as described in the Explanatory Statement accompanying this Notice of Meeting.'

This item is subject to voting exclusions – see 'Voting Exclusion Statement' below.

IMPORTANT NOTES

INDEPENDENT EXPERT'S REPORT

The attached report from Deloitte Corporate Finance Pty Limited (**Independent Expert**) has concluded that the proposed acquisition is **fair and reasonable** to the holders of CMA's ordinary securities whose votes are not to be disregarded.

VOTING EXCLUSION STATEMENT

CPFL will disregard any votes cast on a resolution by:

- CPFL and any of its associates; and
- Centuria Investment and any of its associates.

However, CPFL need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form as the proxy decides.

REFER TO THE EXPLANATORY MEMORANDUM

This Notice of Meeting should be read in conjunction with the rest of this Explanatory Memorandum. This Explanatory Memorandum contains an explanation of the Resolution and detailed information about the Unit Acquisition. To enable CMA Securityholders to make an informed decision as to how to vote on each of the Resolution, please carefully read this Explanatory Memorandum. The CPFL Directors unanimously recommend that CMA Securityholders should vote in favour of the Resolution.

This Explanatory Memorandum has been prepared to provide CMA Securityholders with sufficient information to assess the merits of the Unit Acquisition and the Resolution. CMA Securityholders should read the Explanatory Memorandum in full before making any decisions in relation to the Resolution.

DEFINED TERMS AND THE GLOSSARY

Terms used in this Notice of Meeting which begin with an uppercase letter have the meaning given in the Glossary in Section 6.

QUORUM

The constitution of CMA provides that two securityholders present at all times in person or by proxy or, in the case of a body corporate, by representative holding at least 10% by value of the respective units in issue shall be a quorum for the Meeting.

Each individual present at the Meeting may only be counted once towards the quorum.

If a securityholder has appointed more than one proxy or representative, only one proxy or representative will be counted towards the quorum.

A securityholder entitled to two or more votes does not have to exercise its votes in the same way and does not have to cast all its votes.

REQUIRED VOTING THRESHOLD

The Resolution is an ordinary resolution and will be passed if it is passed by at least 50% of the votes cast by securityholders entitled to vote on the Resolution.

VOTING INSTRUCTIONS

Voting entitlement

Persons holding CMA Securities at 7.00pm (Australian Eastern Standard Time) on 13 June 2017 will, for the purposes of determining voting entitlements at the Meeting, be taken to be CMA Securityholders.

How to vote

CMA Securityholders may vote by attending the meeting in person, by proxy or, in the case of a body corporate, by representative.

Proxies

A CMA Securityholder who is entitled to attend and vote at the Meeting has the right to appoint a proxy to attend and vote for them. The proxy does not have to be a CMA Securityholder.

CMA Securityholders may appoint either one or two proxies. Where two proxies are appointed, the appointing CMA Securityholder can specify the number of votes or the proportion of the CMA Securityholder's votes they want each proxy to exercise. If no number or proportion is specified, each proxy may exercise half of the CMA Securityholder's votes.

A proxy can be either an individual or a body corporate. Should you appoint a body corporate as your proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at meetings; and
- provides CPFL with satisfactory evidence of the appointment of its corporate representative prior to commencement of the Meeting.

The Chairman of the Meeting is deemed to be appointed to act as proxy in respect of a signed proxy that is returned and which does not contain the name of a proxy. In addition, if you direct your proxy how to vote and your nominated proxy does not attend the Meeting, or attends but does not vote, on a poll on a resolution, the Chairman of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions.

A Proxy Form and a reply paid envelope are enclosed with this Notice of Meeting. If you wish to appoint two proxies, please obtain an additional form from CPFL's Unit Registry (**Registry**) or make a photocopy of the enclosed Proxy Form. To be effective, a duly completed Proxy Form and the power of attorney (if any) under which the Proxy Form is signed or a certified copy of the relevant authority must be received at the Registry or at CPFL's registered office at least 48 hours before the start of the Meeting (being no later than 9.30am (Australian Eastern Standard Time) on 12 June 2017.

Proxies may be returned as follows:

By mail or in person to:
Computershare Investor Services Pty Limited:

By mail:
GPO Box 242
Melbourne Victoria 3001
(a reply paid envelope is enclosed)

In person:
Yarra Falls, 452 Johnston Street,
Abbotsford Victoria 3067

By facsimile to:
1800 783 447 (within Australia)
(+61 3) 9473 2555 (outside Australia)

Online at:
www.investorvote.com.au
To use this facility please follow the instructions on the Proxy Form.

Online for Intermediary Online Users only at:
www.intermediaryonline.com

Undirected proxies

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on each item by marking either "For", "Against" or "Abstain" against each item of business on the Proxy Form. If in respect of any of the items of business against which you do not direct your proxy how to vote, you are authorising your proxy to vote as they decide.

If the Chairman of the Meeting is your proxy, you can direct the Chairman how to vote on each item by marking either "For", "Against" or "Abstain" against each item of business on the Proxy Form. However, if the Chairman is your proxy and you do not mark any of the boxes opposite the Resolution, then by signing and returning the Proxy Form you will be expressly authorising the Chairman to vote as he sees fit in respect of the Resolution. The Chairman intends to vote available undirected proxies in favour of the Resolution.

Body corporate representatives

A CMA Securityholder that is a body corporate may appoint more than one representative, but only one representative may exercise the CMA Securityholder's powers at any one time.

How to vote

CMA Securityholders may vote by attending the meeting in person, by proxy or, in the case of a body corporate, by representative.

Voting of jointly held CMA Securities

In accordance with section 253D of the Corporations Act, if a CMA Security is held jointly and two or more joint holders purport to vote, the vote of the joint holder whose name appears first in the Register will be accepted, to the exclusion of the other joint holder or holders.

Attendance

If you plan to attend the Meeting, we ask that you arrive at the venue at least 30 minutes prior to the time designated for the Meeting so that we may check the number of your CMA Securities and register your attendance.

By order of the CPFL Board of Directors.

Company Secretary

Annexure A – Independent Expert's Report

Deloitte.

Centuria Metropolitan REIT

Independent expert's report and Financial Services Guide

12/05/2017

Deloitte.

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

We will receive a fee of approximately $250,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of either the proposed acquisition by Centuria Metropolitan REIT of Centuria Capital Limited's 19.99% interest in Centuria Urban REIT, or the proposed merger between Centuria Metropolitan REIT and Centuria Urban REIT.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1800 367 287
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Independent Board Committee
Centuria Property Funds Limited
as Responsible Entity for the Centuria Metropolitan REIT
Suite 39.01, Level 39
100 Miller Street
North Sydney NSW 2060

12 May 2017

Dear Independent Directors

Re: Independent expert's report and Financial Services Guide

1 Introduction and background

Centuria Metropolitan REIT (CMA) is an Australian Securities Exchange (ASX) listed real estate investment trust (REIT), whose Responsible Entity (RE) is Centuria Property Funds Limited (CPFL). CMA invests in office and industrial property assets in metropolitan markets across Australia.

Centuria Urban REIT (CUA) is also an ASX listed REIT, whose RE is Centuria Property Funds No. 2 Limited (CPF2L). CUA invests in urban office property assets across Australia.

On 3 March 2017, CPFL (on behalf of CMA) and CPF2L (on behalf of CUA) announced that they had entered into a scheme implementation agreement (SIA) which, if effected, will result in CMA acquiring all of the issued units in CUA in a NTA-for-NTA[1] merger transaction via a trust scheme (the Proposed Scheme). If the Proposed Scheme is completed, CUA will become wholly owned by CMA.

CPFL and CPF2L are wholly owned subsidiaries of Centuria Capital Limited (CNI), an ASX listed investment manager with $3.8 billion in funds under management. CNI and its associates hold a 16.2% interest in CMA and a 19.99% interest in the units of CUA[2]. As part of the Proposed Scheme, if approved, CMA will acquire CNI's 19.99% interest in the units of CUA from CNI, a related party of CMA (the Related Party Transaction). CNI's 19.99% interest in CUA is referred to as the CNI Interest in CUA. The consideration to be paid to CNI will be 12,890,787 units in CMA plus $3.37 million cash (the Consideration).

When the disposal of a substantial asset to a related party is proposed, Chapter 10 of the Listing Rules of the ASX (the Listing Rules) requires an independent expert to prepare a report stating whether the proposed transaction is fair and reasonable to the unitholders of CMA whose votes are not to be disregarded. The independent directors of CMA (the Independent Board Committee) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in

[1] NTA means net tangible assets

[2] Refer to Section 3.1 for a detailed overview of the units held by CNI and its associates in CMA and CUA

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our opinion, the Related Party Transaction is fair and reasonable to the unitholders of CMA whose votes are not to be disregarded (the Non-Associated Unitholders).

We have prepared this report having regard to Chapter 10 of the Listing Rules and Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 (RG 111), ASIC Regulatory Guide 112 (RG 112) and ASIC Regulatory Guide 76 (RG 76).

This report is to be included in the notice of the meeting to approve the Related Party Transaction (the Notice of Meeting), which will be sent to the Non-Associated Unitholders, and has been prepared for the exclusive purpose of assisting the Non-Associated Unitholders in their consideration of the Related Party Transaction. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Unitholders of CMA, in respect of this report, including any errors or omissions however caused.

2 Basis of evaluation

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 76 (RG 76) in relation to related party transactions, ASIC Regulatory Guide 111 (RG 111) in relation to the content of expert's reports, and ASIC Regulatory Guide 112 (RG 112) in respect of the independence of experts.

According to RG 76, a related party transaction is any transaction through which a public company provides a financial benefit to a related party. As noted in paragraph RG 76.1, related party transactions involve conflicts of interest because related parties are often in a position to influence the decision as to whether the benefit is provided to them, and the terms of its provision.

CNI is a related party of CMA, and CMA's acquisition of CNI's 19.99% interest in CUA as part of the Proposed Scheme constitutes a related party transaction.

RG 76 stipulates that unitholders must approve a related party transaction by resolution, unless an exception applies, and under Listing Rule 10.1, non-associated unitholders must receive an independent expert's report providing an opinion as to whether the related party transaction is fair and reasonable to them.

In respect of related party transactions, including those subject to approval by members under the Listing Rules, RG 111 states that:

- the assessment of whether the transaction is 'fair and reasonable' should not be applied as a composite test; rather, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable'
- a related party transaction is 'fair' if the value of the financial benefit being offered by the entity to the related party (in this case, the Consideration) is equal to or less than the value of the asset being acquired (in this case, the CNI Interest)
- a proposed related party transaction is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons for members to vote for the proposal.

RG 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

We have considered the fairness of the Related Party Transaction by comparing the value of the CNI Interest with the value of the Consideration to be received from CMA.

Our assessment of whether the Related Party Transaction is reasonable has had regard to additional factors relevant to the Non-Associated Unitholders in the context the Proposed Scheme. Such factors include:

- the existing unitholding in CMA held by CNI, and the future unitholding in CMA to be held by CNI, should the Related Party Transaction proceed
- the impact of the Proposed Scheme on Non-Associated Unitholders
- the extent to which the Related Party Transaction and the Proposed Scheme may impact on CMA unitholders' ability to realise a control value for their units at some point in the future
- the likely market price and liquidity of CMA units in the absence of the Proposed Scheme and/or Related Party Transaction
- other benefits which would result from CMA achieving 100% ownership of CUA through the Related Party Transaction

- implications associated with the Non-Associated Unitholders rejecting the Related Party Transaction.

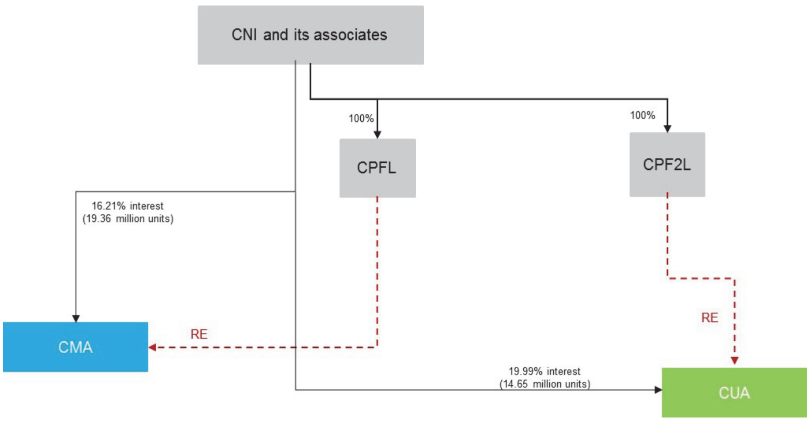
Where the related party transaction is one component of a broader transaction, as in this case, RG 111 also states that the expert should bear in mind whether the report has been sought to ensure that members are provided with sufficient information to decide whether to approve giving a financial benefit to the related party as well as the broader transaction. In this regard, we note that the Non-Associated Unitholders have been asked to vote on the Related Party Transaction only, not on the Proposed Scheme. However, approval of the Related Party Transaction is a condition precent of the Proposed Scheme, and accordingly, should the Non-Associated Unitholders not approve the Related Party Transaction, the Proposed Scheme would not proceed. Accordingly, we have had regard to the impact of the Proposed Scheme on the Non-Associated Unitholders in our assessment of the reasonableness of the Related Party Transaction.

3 Terms of the Proposed Scheme and the Related Party Transaction

3.1 Summary

The following chart shows the existing unitholdings of CNI and associated entities in CMA and CUA.

Figure 1: Existing unitholdings of CNI and associated entities in CMA and CUA



Source: CMA Notice of Meeting and Explanatory Memorandum, annual report

If the Proposed Scheme is implemented, CUA will become wholly owned by CMA and eligible CUA unitholders will be entitled to:

- 0.88 new CMA securities for every 1 CUA unit held (Scrip Consideration); plus
- \$0.23 cash consideration for every 1 CUA unit held (Cash Consideration).

Together, the Scrip Consideration and the Cash Consideration are referred to as the Consideration.

CNI will sell its existing interest in CUA and receive units in CMA (which represent 7.2% of the enlarged units on issue of CMA), along with \$3.37 million in cash. As a result of the Proposed Scheme, CNI and its associates will hold an aggregate interest of 18.1% of the enlarged units on issue of CMA.

On implementation of the Proposed Scheme, expected to be completed by 29 June 2017, new CMA securities issued under the Proposed Scheme will rank pari passu with all other CMA units on issue. CMA intends to make a distribution prior to the implementation date of the Proposed Scheme in line with its previously announced forecast distributions. The implementation of the Proposed Scheme will have no impact or effect on the amount of distribution of the June quarter distributable income.

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Ineligible foreign unitholders will not receive any new CMA units under the Proposed Scheme, but will receive the Cash Consideration and the proceeds of sale (net of brokerage) of the new CMA units to which ineligible foreign unitholders would otherwise be entitled as Scrip Consideration.

In addition to the above, the existing hedging swaps that CMA and CUA have under their risk management policies will be closed out as part of the Proposed Scheme.

3.2 Key conditions of the transactions

There are no specific conditions precedent associated with the Related Party Transaction, given that it forms part of the overall Proposed Scheme. The Proposed Scheme is, however, subject to various conditions, the most significant being:

- the Non-Associated Unitholders approve the Related Party Transaction
- the unitholders of CUA approve the Proposed Scheme
- there is no material adverse change or prescribed occurrence in respect of CMA and CUA
- the Independent Directors of CPF2L do not change or withdraw their recommendation that CUA Unitholders approve the Proposed Scheme or support a superior proposal
- the SIA is not materially breached or terminated.

3.3 The independent board committee

As outlined in CMA's notice of meeting (NOM) and explanatory memorandum (EM), an independent board committee (IBC) was assembled and tasked with considering the Proposed Scheme from the point of view of CMA's Non-Associated Unitholders. The IBC:

- appointed independent legal and corporate advisors to provide professional advice on the Proposed Scheme and to undertake due diligence enquiries in relation to the Proposed Scheme. The independent corporate advisor also performed valuation and financial analysis in relation to the Proposed Scheme in order to advise the IBC in relation to the transaction terms and potential impact on the Non-Associated Unitholders
- appointed Deloitte Corporate Finance to prepare an independent expert's report
- appointed Ernst & Young to provide accounting and tax advice in relation to the Proposed Scheme.

We understand the IBC had regard to the independent legal, financial and tax advice in forming its view on whether to recommend the Proposed Scheme and the Related Party Transaction.

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4 Profile of the REITs

4.1 Profile of CMA

Overview

CMA is an externally managed REIT which listed on the ASX on 10 December 2014. On 2 March 2017, the day before the announcement of the Proposed Scheme, CMA had a market capitalisation of $279.4 million. CMA invests in office and industrial properties in metropolitan markets across Australia. It focusses on delivering stable and predictable rental income with an opportunity for capital growth through active asset management and repositioning strategies. Its portfolio currently comprises of 12 properties, including 10 office properties and 2 industrial properties, located across Sydney, Brisbane, Canberra and Adelaide.

The RE of CMA is CPFL, a wholly owned subsidiary of CNI. CNI and its associates hold an aggregate interest of 16.2% in CMA.

CMA seeks to provide investors with income returns and capital growth. This is achieved through active management activities with an emphasis on tenant retention to ensure income and occupancy is maximised, coupled with property repositioning, leasing and further investments in both office and industrial properties. CMA's strategy to invest in metropolitan office markets in Australia includes the following three components:

- **Acquisition strategy:** to acquire additional office and industrial properties in metropolitan markets
- **Portfolio management:** to actively manage the portfolio to enhance returns which may include disposal and acquisition opportunities
- **Asset management:** to enhance occupancy by reducing vacancies and proactively managing leasing to enhance cash flow and lease term.

Key property portfolio metrics

The key metrics of the CMA's current property portfolio are as follows.

Table 1: Key property portfolio metrics

	As at 31 December 2016
Number of properties	12
Reported fair market value[1]	$391.5 million
Weighted average capitalisation rate (WACR)[1]	7.57%
Net lettable area	102,064 sqm
Occupancy (by net lettable area)	98.70%
Weighted average lease expiry (WALE)	4.1 years
Gearing	29.50%
Reported NTA per unit	$2.32

Source: CMA NOM and EM, company website
Note 1: Based on Director and external valuations

Overview of the properties

CMA's metropolitan office and industrial properties are located in Sydney, Brisbane, Canberra and Adelaide. The following table summarises the details of the properties owned by CMA.

Table 2: Portfolio summary (as at 31 December 2016)

Property	Ownership	Type	Fair value[1]	Last date of Independent valuation	Cap rate[1]	Net lettable area (NLA) (sqm)	WALE (years)	Occupancy rate	Description
9 Help Street, Chatswood, NSW	100%	Office	$62.2m	31-Dec-16	6.75%	9,400	2.6	100%	Modern building, constructed in 1991 and refurbished in 2010
203 Pacific Highway, St Leonards, NSW	50%[2]	Office	$47.5m	15-May-16	7.00%	11,734	4.0	100%	Modern office building with retail tenancies on the ground floor, constructed in 2000
3 Carlingford Road, Epping, NSW	100%	Office	$27.0m	15-May-16	6.25%	4,702	2.3	100%	Modern office building with five levels, constructed in 1986
44 Hampden Road, Artarmon, NSW	100%	Office	$8.8m	15-May-16	8.25%	2,306	1.8	100%	4 storey building, constructed in 1992
60 Marcus Clarke, Canberra, ACT	100%	Office	$54.5m	15-May-16	8.00%	12,120	3.3	95%	13 level commercial office property with 5 retail tenancies, constructed in 1988
54 Marcus Clarke, Canberra, ACT	100%	Office	$18.0m	15-May-16	9.00%	5,169	2.4	88%	9 level office building, constructed in 1986 and refurbished in 2016
35 Robina Town, Centre Drive, Robina, QLD	100%	Office	$50.7m	15-May-16	7.25%	9,814	6.8	100%	Modern office tower, constructed in 2001
555 Coronation Drive, Brisbane, QLD	100%	Office	$32.3m	15-May-16	8.25%	5,591	3.8	100%	Three storey office building, constructed in 1990
1 Richmond Road, Keswick, SA	100%	Office	$27.3m	15-May-16	9.00%	8,100	2.6	100%	5 level office building, constructed in 1985 and refurbished in 2016
131-139 Grenfell Street, Adelaide, SA	100%	Office	$19.5m	15-May-16	8.50%	4,052	2.9	100%	5 levels of office space, constructed in 2009
149 Kerry Road, Archerfield, QLD	100%	Industrial	$25.5m	15-May-16	7.25%	13,774	8.0	100%	Large manufacturing and storage facility with an attached single office building, constructed in 1991
13 Ferndell Street, Granville, NSW	100%	Industrial	$18.2m	15-May-16	7.75%	15,302	3.3	100%	Industrial warehouse, constructed in 1960s
Total/weighted avg			**$391.5m**		**7.57%**	**102,064**	**4.1**	**98.70%**	

Source: CMA Notice of Meeting and Explanatory Memorandum
Notes: 1. As per the internal and external valuations as at 31 December 2016
2. The other 50% is owned by another fund connected with CNI

Page 6

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Property valuation policy

CMA has a documented property valuation policy, which is followed for all trust owned properties. The key principles of the policy are as follows:

- an independent valuation of each property is to be carried out at least once every two calender years
- at each reporting date, the directors of CMA prepare internal estimates of the fair market value of each property, based on detailed internal valuation analysis supported by external market data where available
- if internal directors' valuations result in a change in value of more than 5% from the most recent independent valuation for an individual property, a new independent valuation is commissioned for that property
- appointed property valuers have to meet several criteria, including not being a related party or associate of any Centuria company entity or Director, not an investor in CMA, valuation fees paid do not represent more than 10% of the total income of the property valuer and have to be selected from an approved valuation panel
- property valuers are rotated such that no property valuer may perform an independent valuation more than three consecutive times.

CMA follows a detailed process to arrive at the internal directors' valuation, including:

- CNI has a property valuation committee, which consists of a team of internal property valuation experts, who are integral in the preparation of the internal directors' valuations. These experts perform valuations for properties across all CNI's funds. The knowledge and market insights gained from valuations across the CNI portfolio is used in the valuations of the CMA properties
- throughout the intervening period between internal directors' valuations, key members of CMA's management team (CMA Management) receive presentations from external property valuers and market experts regarding market trends and obtain market data in relation to property transactions. This information forms the basis of any updates to internal valuations
- CMA reviews and considers property transactions undertaken by CNI and its associates, and includes this information in its valuation analysis of CMA's properties
- detailed internal valuation analysis is performed using multiple methodologies and drafts of this analysis is reviewed and discussed amongst the property valuation committee. Once drafts are agreed upon, a presentation to the CMA directors is performed. Questions and comments from the directors are then considered in the analysis and a final decision is made on the property valuations
- the final property valuations are then presented to CMA's auditors for review. CMA's auditors perform their own independent review and a report is provided to CMA with the auditor comments on methodology, keys assumptions and results.

Tenant profile and rental agreements

As at 31 December 2016, CMA's top ten tenants represented approximately 53.5% of the gross rental income and include national and multinational companies, Government departments and ASX-listed groups.

CMA focusses on forward leasing, which has resulted in an improvement in the portfolio's lease expiry profile. In the financial years (FY) ending 30 June 2017 (FY2017) and 30 June 2018 (FY2018), 6.2% and 4.6% of tenant leases will expire, respectively.

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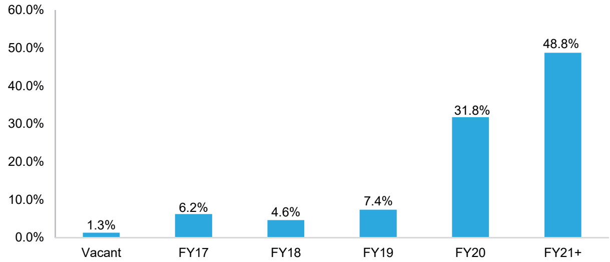
The following figure illustrates CMA's lease expiry profile.

Figure 2: Lease expiry profile



Source: CMA Notice of Meeting and Explanatory Memorandum

Management and other fees

The following is a summary of the primary fees charged to CMA:

- **REIT management fee**: as the RE of CMA, CPFL is entitled to a management fee of 0.55% per annum of the gross asset value of CMA calculated in accordance with CMA's constitution. The management fee is paid monthly in arrears
- **property management fee**: on those properties where external managers are not appointed, Centuria Property Services Pty Ltd (CPSPL) is entitled to a base property management fee and facilities management fee in the range of $1,229 to $10,664 (depending on the property) plus GST per month per property, increased annually by 3% at each 1 July
- **custodian fee**: As the custodian of CMA, Australian Executor Trustees Limited (AET) is entitled to a custodian fee. The custodian fee is based on the gross asset value of CMA, as follows[3]:
  - 0.035% of the gross asset value from $0 to $100 million; plus
  - 0.03% of the gross asset value from $100 million to $200 million; and
  - 0.025% of the gross asset value over $200 million.

[3] Subject to a minimum annual fee of $20,000

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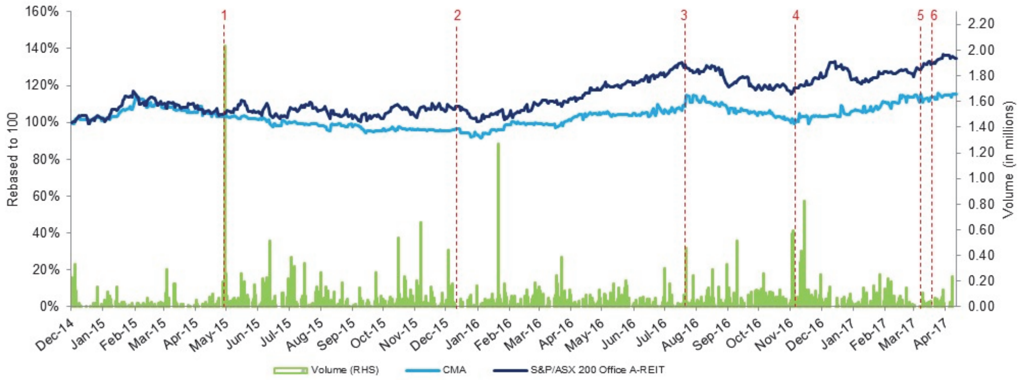
Capital structure

Equity

CMA has 119.4 million units on issue, which are listed on the ASX. The following figure shows the performance of CMA shares on the ASX relative to the performance of ASX/S&P 200 Office A-REIT since listing on 10 December 2014.

Figure 3: CMA share price analysis (base 100 on 10/12/2014) compared to ASX/S&P 200 Office A-REIT



Source: Company website, ASX announcements

Key market-sensitive announcements during the period are set out in the following table.

Table 3: Key announcements

Note	Date	Comments
1	14-May-15	On 29 April 2015, CMA entered into agreements to acquire four commercial office assets with a total purchase price of $129.3 million. To partially fund these acquisitions, CMA undertook a fully underwritten 2 for 3 accelerated non-renounceable entitlement offer at a fixed price of $2.10 per new stapled security to raise approximately $100 million. On 14 May 2015, CMA issued Appendix 3B that provided an update on the approximate number of stapled securities issued in connection with this entitlement offer.
2	23-Dec-15	CMA acquired a 50% interest in 203 Pacific Highway, St Leonards for $43 million.
3	1-Aug-16	On 16 June 2016, CMA submitted a takeover offer for GPT Metro Office Fund (GMF) via an off market takeover. However, on 1 August 2016, CMA announced that it would not be proceeding with the takeover, following GMF's receipt of a competing offer from Growthpoint Properties Australia (GOZ) and the GMF independent board committee recommending in favour of the GOZ offer.
4	23-Nov-16	On 23 November 2016, CNI announced the acquisition of the majority of 360 Capital Group's real estate funds management platform including co-investment interests in listed funds for a total acquisition cost of $217.0 million. The transaction was completed on 9 January 2016. As part of the acquisition, CNI acquired the 19.9(% interest in the 360 Office Fund, which was subsequently renamed to Centuria Urban REIT (previously defined as CUA), in respect of which it also took over the management rights. The announcement of this transaction also flagged the potential for a merger between CUA and CMA (the subject of the Proposed Scheme). CPFL also announced that it had contracted with 360 Capital Investment Management Limited (CIML) to acquire a strategic interest of 8.76% in CUA for $2.25 per unit from 360 Capital Group. The transaction was completed on 9 January 2017.
5	3-Mar-17	Announced the Proposed Scheme.
6	31-Mar-17	On 31 March 2017, Cochlear Limited completed the acquisition of 14 Mars Road, Lane Cove from CMA for $26 million. Net proceeds from the sale have been used by CMA to repay debt, reducing gearing to 29.5%.

Source: Company website, ASX announcements

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Approximately 68% of the total units on issue are held by the top 20 unitholders. As at 31 December 2016, there were four substantial unitholders with holdings over 5%, as set out in the following table.

Table 4: Substantial unitholders

Unitholder	Number of CMA Units held ('000)	Percentage of total CMA Units issued
CNI and associated entities[1]	19,359	16.21%
PEJR Investments (ATF Lederer Investment Trust)	13,097	10.97%
APN Funds Management Limited	6,283	5.26%
BT Investment Management Limited	6.027	5.05%

Source: CMA NOM and EM
Note 1: Held through Over Fifty Guardian Friendly Society Limited (9.7%), Centuria Growth Bond Fund (4.0%), CNI (2.2%), Centuria Balanced Bond Fund (0.3%) and Centuria High Growth Bond Fund (0.1%)

CMA's trading volumes have been limited by four substantial unitholders' 38% shareholding with approximately 17% of units outstanding traded over the past twelve months.

Debt

As at 31 December 2016, CMA had total debt facilities of $180 million, of which $51.4 million[4] was undrawn. The debt facilities are with National Bank of Australia (NAB) and Westpac Banking Corporation (Westpac) and are as follows:

Table 5: Debt facilities

Facility	Limit	All-in margin (base+line)	Maturity date	Gearing covenant ICR	Gearing covenant LTV
NAB Tranche 1	55	1.15%	31-Dec-19	2x	50%
NAB Tranche 2	40	1.10%	31-May-20		
NAB Tranche 3	45	1.25%	22-Dec-20		
WBC Tranche 4	40	1.60%	25-Aug-21		
Total/weighted average	**180**	**1.26%**			

Source: Board paper, December 2016

The debt facilities are secured by first mortgages over the investment properties and a first ranking fixed and floating charge over all assets of the trust.

As at the date of our report, CMA is in compliance with all debt facility covenants.

The following table sets out a summary of the key characteristics of CMA's debt.

Table 6: Debt profile

	As at 31 December 2016
Total facility limit	$180.0 million
Total borrowings	$140 million[1]
Gearing	29.50%
Weighted average debt expiry	3.7 years
Interest coverage ratio	5.3x
Weighted average term of interest rate hedging	3.2 years

Source: CMA NOM and EM
Note 1: Before the sale of 14 Mars Road, Lane Cove

[4] Following the sale of 14 Mars Road, Lane Cove, which settled on 31 March 2017

CMA has interest rate swaps used to hedge the drawn debt, as summarised in the following table.

Table 7: CMA's hedging facilities

Hedging facility	Principal	Pay rate	Pay	Receive	Maturity
Swap A	48.0	2.85%	Fixed	BBSW	30-Nov-19
Swap B	36.0	2.55%	Fixed	BBSW	30-Jun-20
Total/weighted average	**84.0**	**2.72%**			

Source: Board paper, December 2016

Financial perfomance

The table below sets out CMA's financial performance for the financial years ended 30 June 2015 (FY2015) and 30 June 2016 (FY2016) and for the half year (HY) ended 31 December 2016 (HY2017).

Table 8: CMA's financial performance

$'000	Audited FY2015	Audited FY2016	Reviewed HY2017
Rent and recoverable outgoings	**18,757**	**39,536**	**20,120**
Revenue growth (%)	*n/a*	*110.8%*	*n/m*
Management fees	(953)	(1,985)	(1,138)
Professional fees	(318)	(657)	(369)
Rates, taxes and other property outgoings	(4,105)	(8,153)	(4,074)
Other expenses	(136)	(366)	(479)
Total expenses	**(5,512)**	**(11,161)**	**(6,060)**
EBIT	**13,245**	**28,375**	**14,060**
EBIT margin (%)	*70.6%*	*71.8%*	*69.9%*
Finance costs	(3,928)	(4,427)	(2,806)
Interest income	104	77	41
EBT	**9,421**	**24,025**	**11,295**
EBT margin (%)	*50.2%*	*60.8%*	*56.1%*
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	(537)	-	-
Net profit attributable to security holders	**8,931**	**44,785**	**27,104**

Source: CMA FY2016 annual report, CMA HY2017 Report

Rental revenue and net profit were significantly higher in FY2016 than in FY2015. This reflects the full year benefit of properties acquired between the date of ASX listing and 30 June 2015, and the execution of 12 leases in FY2015 and 35 leases in FY2016.

Expenses, such as management fees, professional fees and rates, taxes and other property outgoings, increased significantly between FY2015 and HY2017, primarily due to growth in the value of CMA's investment properties.

The investment properties are fair valued at each reporting date (either directors' valuation or independent valuation) and any gain or loss arising from a change in fair value is recognised in the income statement. For FY2016, all property values increased with a total gain of $23.2 million was recognised in FY2016. In the first half of FY2017 another $25.0 million gain was recognised from further property revaluations.

The fair value of investments relates to an 8.76% interest held by CMA in CUA. This is fair valued at each reporting date and any gain or loss arising from a change in fair value is recognised in the income statement.

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CMA has a hedging strategy, through the use of interest rate swaps, to manage the interest rate risks on its debt facilities. The swaps are valued at each reporting date and any gain or loss arising from a change in fair value is recognised in the income statement. The movements represent the differences between fixed and floating rate interest amounts calculated on agreed notional principal amounts between the different financial reporting periods. As at FY2016 and HY2017, the variable interest rates were higher than the contracted fixed interest rates.

Non-recurring items in FY2016 included transaction costs relating to CMA's initial public offer (IPO), net of waived incentive fees.

Financial position

The following table sets out CMA's financial position as at 30 June 2015, 30 June 2016 and 31 December 2016.

Table 9: CMA's financial position

$'000	Audited 30 Jun 2015	Audited 30 Jun 2016	Reviewed 31 Dec 2016
Cash and cash equivalents	6,273	4,911	8,633
Trade and other receivables	232	377	166
Investments held at fair value through profit or loss	-	11,113	-
Investment properties held for sale	-	-	26,000
Prepayments	379	432	497
Total current assets	**6,884**	**16,833**	**35,296**
Investment properties	323,110	398,730	391,500
Investments in listed trusts	-	-	13,745
Total non-current assets	**323,110**	**398,730**	**405,245**
Total assets	**329,994**	**415,563**	**440,541**
Trade and other payables	10,093	11,225	18,453
Distribution payable	-	-	5,224
Total current liabilities	**10,093**	**11,225**	**23,677**
Borrowings	83,912	141,090	138,554
Derivative financial instruments	733	3,106	1,532
Total non-current liabilities	**84,645**	**144,196**	**140,086**
Total liabilities	**94,738**	**155,421**	**163,763**
Net assets	**235,256**	**260,142**	**276,778**

Source: CMA FY2016 annual report, CMA HY2017 Report

Investments held at fair value through profit or loss as at 30 June 2016 related to CMA's investment in GPT Metro Office Fund, which was subsequently sold in September 2016.

Investment properties held for sale as at 31 December 2016 related to the property at 14 Mars Road, Lane Cove, NSW which was sold to Cochlear Limited in March 2017.

An increase in the value of investment properties relates to revaluations and an acquisition of 50% ownership interest in 203 Pacific Highway, St Leonards, NSW in December 2015. These revaluations are in accordance with CMA's property valuation policy as discussed above.

Investments in listed trusts relates to CMA's 8.76% interest in CUA.

Distributions payable relate to distributions announced as at 31 December 2016 which were paid on 12 February 2017.

Borrowings increased between FY2015 to FY2016 as a result of CMA entering into two additional debt facility arrangements. The debt facility limit increased from $95 million in FY2015 to $180 million at 31 December 2016.

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Derivative financial instruments relates to interest rate swaps. As at 30 June 2015, a notional amount of $48 million was hedged at a contracted fixed interest rate of 2.85% per annum. In FY2016, an additional $36 million was hedged at a base rate of 2.55% per annum through to 30 June 2020. A positive mark-to-market movement of $1.6 million in the hedged position reduced the liabilities from derivative financial instruments to $1.5 million as at 31 December 2016.

4.2 Profile of CUA

Overview

CUA is an externally managed REIT which listed on the ASX on 24 April 2014. CUA was originally created by 360 Capital Group with CNI and associated entities acquiring management rights to the fund in 2016. On 2 March 2017, the day before the announcement of the Proposed Scheme, CUA had a market capitalisation of $165.6 million. CUA invests in urban office assets in Australia, ranging between $30 million and $100 million in value, with a focus on yield and security of income. Its portfolio comprises three A-grade suburban office properties, two of which are located in Brisbane and one of which is located in Melbourne. The RE of CUA is CPF2L, a wholly owned subsidiary of CNI. CNI holds a 19.99% interest in the units in CUA.

CUA's strategy is to acquire office properties in metropolitan markets. It seeks to maximise unitholder returns by focusing on the long term sustainable earnings and distribution growth through the acquisition and management of the high quality, well leased, suburban office properties.

Key portfolio metrics

The key metrics of CUA's current property portfolio are as follows.

Table 10: Key portfolio metrics

	As at 31 December 2016
Number of properties	3
Reported fair value	$210.4 million
WACR	6.86%
Net lettable area	28,953 sqm
Occupancy (by net lettable area)	99.20%
Weighted average lease expiry	4.6 years
Gearing	18.6%
Reported NTA per unit	$2.27

Source: CUA NOM and EM, company website

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Overview of the properties

CUA suburban office properties are located in Queensland and Victoria. The following table summarises the details of the properties owned by CUA.

Table 11: Portfolio summary (as at 31 December 2016)

Property	Ownership	Type	Fair value[1]	Last date of independent valuation	Cap rate[1]	NLA (sqm)	WALE (years)	Occupancy rate	Description
154 Melbourne Street, South Brisbane, QLD	100%	Office	$77.5m	31-Dec-16	7.00%	11,300	2.3	100%	5 star green star commercial building
483 Kingsford Smith Drive, Brisbane, QLD	100%	Office	$74.4m	26-Apr-16	7.00%	9,322	6.9	97.60%	2 free standing contemporary buildings
576 Swan Street, Richmond, VIC	100%	Office	$58.5m	31-Dec-16	6.50%	8,331	5.2	100%	5 level commercial property with retail tenancies, constructed in August 2013
Total/weighted avg			**$210.4m**		**6.86%**	**28,953**	**4.6**	**99.20%**	

Source: CMA NOM and EM
Note 1: As per the Director and external valuations as at 31 December 2016.

CUA has a documented property valuation policy, which is followed for all trust owned properties. It follows the same principles and process as CMA, which is discussed in Section 4.1.

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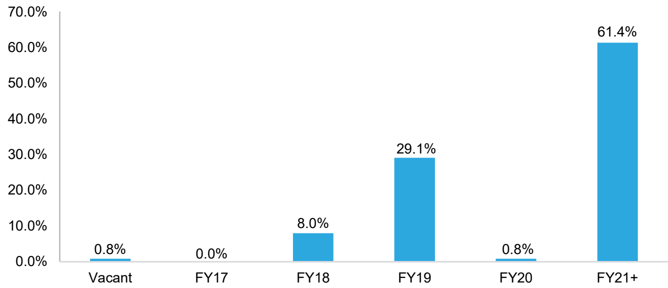
Tenant profile and rental agreements

As at 31 December 2016, the top ten tenants represented approximately 91.9% of the gross rental income, of which 61.5% was from the top five tenants. CUA's major tenants include large corporations, multinational companies, Government departments and ASX-listed groups.

Approximately 78% of CUA's income refers to revenue which is subject to fixed rent reviews at an average rate of 3.8% per annum. There are no lease expiries prior to 30 June 2017. The following figure illustrates CUA's lease expiry profile.

Figure 4: Lease expiry profile



Source: CMA Notice of Meeting and Explanatory Memorandum

Management and other fees

The following is a summary of the primary fees charged to CUA:

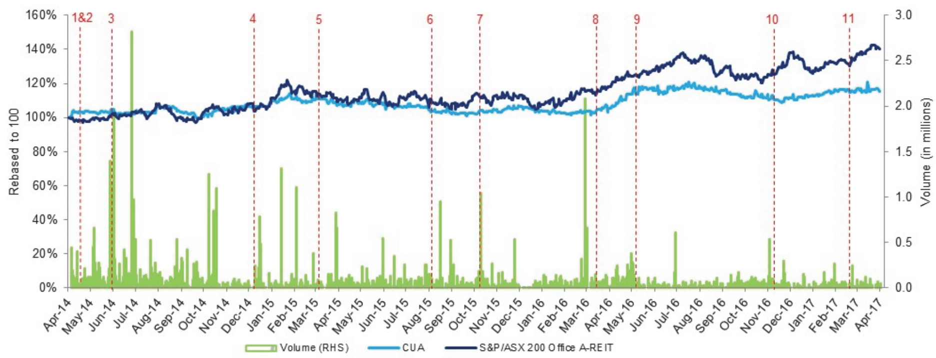
- **REIT management fee**: as the RE of CUA, CPF2L is entitled to a management fee of 0.65% per annum of the gross asset value of CUA calculated in accordance with CUA's constitution. However, in FY2016, the RE elected to charge a management fee of only 0.60% per annum . The management fee is calculated and accrued on a daily basis and is payable in arrears on a quarterly basis. The RE is also entitled to recoveries for expenses incurred in the operation of the fund
- **Custodian fee**: As the custodian of CUA, CPF2L is entitled to a custodian fee. The custodian fee is based on 0.05% of gross asset value of CUA.

Capital structure

Equity

The total number of units on issue is 73.28 million. Set out in the following figure is a summary of the performance of CUA shares on the ASX relative to the performance of ASX/S&P 200 Office A-REIT since its listing on 24 April 2014.

Figure 5: Share price analysis (base 100 on 24/04/2014) compared to ASX/S&P 200 Office A-REIT



Source: Company website, ASX announcements

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Key market sensitive announcements during the period are set out in the following table.

Table 12: Key announcements

Note	Date	Comments
1	30-Apr-14	Announced the settlement of acquisition of 483 Kingsford Smith Drive.
2	1-May-14	Announced the settlement of acquisition 154 Melbourne Street South Brisbane.
3	19-Jun-14	CUA exchanged unconditional contracts at a net sale price of $80 million for the Burwood property. This was a premium of 23% above the external valuation of $65 million as at 31 December 2013. Colliers International and Savills were joint agents regarding this disposal.
4	17-Dec-14	Completed the acquisition of 576 Swan Street, Richmond, Melbourne for a consideration of $46.5 million.
5	19-Mar-15	Independent valuations of the three fund assets was completed as at 31 March 2015 resulting in an increase in book value of $10.6 million.
6	19-Aug-15	Announced extension of the Department of Environment's lease at 33 Allara Street, Canberra, ACT for 12 months with an option for a further 12 months.
7	29-Oct-15	On 29 October 2015, CUA exchange unconditional contracts for the sale of 33 Allara Street, Canberra, ACT for $29 million. The transaction was settled on 20 November 2015.
8	30-Mar-16	On 18 February 2016, 360 Capital Group agreed to sell its 44.4% stake in 360 Capital 111 St George Property Trust to CUA for a consideration of $30.4 million. However, CUA announced its decision not to proceed with this acquisition on 30 March 2016.
9	18-May-16	Independent valuations of the fund's two assets, 485 Kingsford Smith Drive and 154 Melbourne Street, was completed resulting in an increase of $11.8 million to the book value as of 31 December 2015.
10	23-Nov-16	CNI and its associated entities took over management rights to CUA and acquired units in CUA from entities associated with 360 Capital Group. The transaction was announced on 23 November 2016 and completed on 9 January 2016. Refer to Section 3.1 for further details.
11	3-Mar-17	Announced the Proposed Scheme.

Source: Company website, ASX announcements

As at 4 May 2017, approximately 72% of the total units on issue were held by the top 20 unitholders, of which the majority were held by the five most substantial unitholders, as set out in the following table.

Table 13: Substantial unitholders

Unitholder	Number of CUA Units held ('000)	Percentage of total CUA Units issued
CPF2L[1]	14,648	19.9%
CMA[1]	6,423	8.8%
Ellerston Capital Limited	6,387	8.7%
First Samuel Limited	5,709	7.8%
Salt Funds Management Limited	3,894	5.3%

Source: CMA NOM and EM
Note 1: Centuria Capital Group holds interest of 28.8% through CPF2L (19.99%) and CMA (8.76%)

CUA's trading volumes have been limited by five substantial unitholders' 51% shareholding with approximately 22% of shares outstanding traded over the past twelve months.

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Debt

The following table summarises the debt facilities of CUA as at 31 December 2016.

Table 14: Summary of debt facilities

Facility	Limit	Margin (drawn)	Margin (undrawn)	Maturity date	Gearing covenant	
					ICR	LTV
NAB	40	1.40%	0.75%	15-Apr-17	2x	50%
Bank West	40	1.40%	0.75%	15-Apr-17		
Total/weighted average	**80**	**1.40%**	**0.75%**			

Source: Board paper, December 2016

As at 31 December 2016, CUA had total debt facilities of $80 million, of which $41.5 million was drawn, representing gearing of 18.6%. The debt facilities as at 31 December 2016 which were due to expire in April 2017 have now 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. The debt facilities are secured by a registered first mortgage over the investment property.

As at the date of our report, CUA is in compliance with all debt facility covenants.

The following table sets out the key characteristics of CUA's debt.

Table 15: Debt profile

	As at 31 December 2016
Total facility limit	$80.0 million
Total borrowings	$41.5 million
Gearing	18.60%
Weighted average debt expiry	0.3 years
Interest coverage ratio	6.8x
Weighted average term of interest rate hedging	3.1 years

Source: CUA NOM and EM
Note: Weighted average debt expiry as at 31 December 2016 does not reflect the subsequent extension of the debt facilities to 30 September 2016

CUA has an interest rate swap used to hedge the drawn debt, as summarised in the following table.

Table 16: CUA's hedging facilities

Hedging facility	Principal	Pay rate	Pay	Receive	Maturity
Swap A	40	2.64%	Fixed	BBSW	30-Nov-19
Total/weighted average	**40**	**2.64%**			

Source: Board paper, December 2016

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Financial perfomance

The table below sets out CUA's financial performance for FY2015, FY2016 and HY2017.

Table 17: CUA's financial performance

$'000	Audited FY2015	Audited FY2016	Reviewed HY2017
Rental income	20,624	19,748	8,924
Total revenue	**20,624**	**19,748**	**8,924**
Revenue growth (%)	*n/a*	*(4.2%)*	*n/m*
Management fees	(1,486)	(1,452)	(704)
Investment property expenses	(3,729)	(3,396)	(1,554)
Other administration expenses	(1,317)	(403)	(169)
Total expenses	**(6,532)**	**(5,251)**	**(2,427)**
EBIT	**14,092**	**14,497**	**6,497**
EBIT margin (%)	*68.3%*	*73.4%*	*72.8%*
Finance costs	(2,792)	(2,605)	(1,136)
Finance revenue	119	65	19
EBT	**11,419**	**11,957**	**5,380**
EBT margin (%)	*55.4%*	*60.5%*	*60.3%*
Changes in fair value of investment properties	5,569	11,750	2,596
Gain / (loss) on fair value of rental guarantee	(2,414)	(36)	81
Gain / (loss) on fair value of derivative financial instruments	(1,149)	(1,912)	1,468
Gain / (loss) on sale of properties	(1,023)	(1,321)	-
Transaction costs and unitholder voting expenses	-	-	(662)
Loss on termination of derivative financial instruments	-	-	(1,052)
Net profit attributable to unit holders	**12,402**	**20,438**	**7,811**

Source: CUA FY2016 Annual Report, CUA HY2017 Report

As a result of the disposal of 33 Allara Street, Canberra, ACT in November 2015, rental income and expenses in the form of management fees and investment property fees decreased in FY2016. This sale also resulted in a loss of $1.3 million in that financial year. The proceeds were used to repay debt and thereby reduce finance costs in FY2016.

The investment properties are valued at each reporting date and any gain or loss arising from a change in fair market value is recognised in the income statement. Independent property valuations undertaken in April 2016 for 485 Kingsford Smith Drive, Hamilton Harbour, QLD and in May 2016 for Botannica 8, 576 Swan Street, Richmond, VIC, resulted in an increase in the fair market value of the property portfolio by $11.8 million in FY2016. In the first half of FY2017, the valuation of 576 Swan Street, Richmond, VIC was further increased by $2.6 million.

The fair value of the rental guarantee relates to an agreement with the vendor of the property at 485 Kingsford Smith Drive, Hamilton Harbour, Queensland. The rental agreement has been capitalised and its fair value is valued at each reporting date with any gain or loss arising from a change in fair market value to be recognised in the income statement.

CUA has a hedging strategy, through the use of an interest rate swap, to manage the interest rate risks on its debt facilities. The swaps are valued at each reporting date and any gain or loss arising from a change in fair market value is recognised in the income statement. The movements represent the differences between fixed and floating rate interest amounts calculated on agreed notional principal amounts between the different financial reporting periods. As at FY2015 and FY2016, the variable interest rates were higher than the contracted fixed interest rates.

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Financial position

The following table illustrates CUA's financial position as at 30 June 2015, 30 June 2016 and 31 December 2016.

Table 18: CUA's financial position

$'000	Audited 30 Jun 2015	Audited 30 Jun 2016	Reviewed 31 Dec 2016
Cash and cash equivalents	3,421	2,590	2,251
Receivables	988	489	639
Total current assets	**4,409**	**3,079**	**2,890**
Investment properties	223,881	206,828	210,400
Rental guarantee	2,219	1,072	
Total non-current assets	**226,100**	**207,900**	**210,400**
Total assets	**230,509**	**210,979**	**213,290**
Trade and other payables	2,391	1,507	1,760
Distribution payable	3,114	3,114	3,114
Borrowings	-	39,445	41,389
Total current liabilities	**5,505**	**44,066**	**46,263**
Borrowings	67,983	-	-
Derivative financial instruments	195	2,107	639
Total non-current liabilities	**68,178**	**2,107**	**639**
Total liabilities	**73,683**	**46,173**	**46,902**
Net assets	**156,826**	**164,806**	**166,388**

Source: CUA FY2016 Annual Report, CUA HY2017 Report

Receipts of $30 million resulting from the disposal of 33 Allara Street, Canberra, ACT in FY2016 were used to repay $28.8 million of borrowings, thereby reducing borrowings from approximately $68.0 million to $39.5 million.

The investment properties are reported at fair value at each reporting date. Any revaluation regarding the properties are in accordance with CUA's property valuation policy, as discussed above.

The rental guarantee relates to an agreement with the vendor of the property at 485 Kingsford Smith Drive, Hamilton Harbour, Queensland and is stated at fair value at each reporting date. The fair value of the rental guarantee as at 31 December 2016 is $917,000.

Derivative financial instruments relates to interest rate swaps. As at 30 June 2016, $70 million was hedged at a blended fixed interest rate of 2.64% per annum through to 30 November 2019. In July 2016, part of the interest rate swaps were terminated and the interest rate hedges were reduced to $40.0 million. The interest rates swaps are commercially hedged with Bankwest and NAB at a blended rate of 2.64% and expire in January 2020.

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4.3 Profile of the Proposed Merged Entity

With the implementation of the Proposed Scheme, the Proposed Merged Entity will be known as CMA, with CUA becoming a wholly owned sub-trust of CMA. The Proposed Merged Entity will combine two complementary property portfolios. The Proposed Merged Entity will focus on Grade A Australian metropolitan located properties, consistent with CMA's current strategy, with the objective of providing investors with income returns and the potential for growth through active management activities.

The following summarises the key attributes of the Proposed Merged Entity:

- one of the largest metropolitan office-focussed Australian REIT portfolios with 15 properties with a reported fair market value of $601.9 million as at 31 December 2016
- base management fees and other fees to be charged in accordance to CMA's existing fee agreements structure. For example, the base management fee for CMA is 0.55% per annum compared to the 0.60% per annum currently being charged to CUA
- strong balance sheet and high quality credit metrics with pro forma gearing of 30.2%.

The merger will provide the unitholders of the Proposed Merged Entity with an enhanced investment proposition relative to CMA or CUA on a standalone basis including:

- increase in size and scale of property portfolio
- geographic, asset and tenant diversification
- potential reduction in net tangible asset dilution through lower cost of acquiring a portfolio of three assets, compared to acquiring three standalone assets
- increase in market capitalisation and trading liquidity with the potential for ASX /S&P 300 index inclusion.

The key portfolio metrics of the Proposed Merged Entity are as follows.

Table 19: Key portfolio metrics

	CUA	CMA	Proposed Merged Entity
Number of properties	3	12	15
Reported property fair value	$210.4 million	$391.5 million	$601.9 million
WACR	6.86%	7.57%	7.32%
NLA	28,953 sqm	102,064 sqm	131, 017 sqm
Occupancy (by NLA)	99.20%	98.70%	98.80%
WALE	4.6 years	4.1 years	4.2 years
Gearing	18.60%	29.50%	30.20%
Reported NTA per unit	$2.27	$2.32	$2.29

Source: CMA NOM and EM

With the implementation of the Proposed Scheme, the number of CMA units will increase from 119.4 million to 178.3 million. CUA and CMA unitholders will own approximately 33% and 67% of the Proposed Merged Entity respectively. CNI and PEJR Investments Pty Ltd will be substantial unitholders in the Proposed Merged Entity holding approximately 18.1% and 7.3% of the units in the Proposed Merged Entity, respectively.

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The following table sets out the pro forma consolidated statement of the financial position as at 31 December 2016.

Table 20: Pro forma financial position

	Pro forma 31-Dec-16 CMA	Pro forma 31-Dec-16 CUA	Pro forma adjustments	Pro forma 31-Dec-16 Proposed Merged Entity
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**
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**	**20.6**	**205.3**
Net Assets	**276.7**	**166.4**	**(34.3)**	**408.8**
Securities on issue (million)	119.4	73.3	58.9	178.3

Source: CMA NOM and EM
Note: Numbers in the above table may not add due to rounding

The adjustment to investments held at fair value reflects the fact that upon implementation of the Proposed Scheme, CUA will be fully consolidated and CMA's 8.76% interest in CUA will no longer be accounted for as an investment.

Trade and other payables are reduced to reflect the cost of acquisition on 9 January 2017 of CMA's 8.76% interest in CUA at the acquisition price of $2.25 per unit, which will be funded through debt.

Pro forma adjustments for the derivative financial instruments relates to the reduction in derivative financial instruments liability. CPFL intends to terminate CUA and CMA's existing interest rate swaps pursuant to the Proposed Scheme. The termination costs for CMA and CUA are $1.6 million and $0.6 million, respectively.

The Proposed Merged Entity's gearing level is projected to be higher than the individual gearing levels of CMA and CUA as at 31 December 2016 on a standalone basis as a result of the increase in relating to the following:

- fund the acquisition of CMA's 8.76% interest in CUA prior to the implementation of the Proposed Scheme on 9 January 2017
- transaction fees pursuant to the Proposed Scheme
- payment relating to the closing out of the current interest rate swaps held by CMA and CUA
- payment of the Cash Consideration pursuant to the Proposed Scheme.

The additional 58.9 million of securities reflects the new CMA units to be issued to existing CUA unitholders under the Scrip Consideration pursuant to the Proposed Scheme. Further information on the pro forma financial position of the Proposed Merged Entity is disclosed in the Explanatory Memorandum.

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5 Valuation

5.1 Introduction

Overview

Pursuant to the Related Party Transaction, CMA will acquire 14,648,622 units in CUA from CNI (equating to 19.99% of CUA and previously defined as the CNI Interest) and in return will give CNI consideration of 12,890,787 units in the Proposed Merged Entity (equating to 7.2% of the securities on issue of the Proposed Merged Entity) plus $3.37 million cash (previously defined as the Consideration).

In order to assess whether the Related Party Transaction is fair to Non-Associated Unitholders, we have compared the fair market value of the CNI Interest, with the fair market value of the Consideration to be received by CNI. This assessment requires a valuation of:

- a 19.99% interest in CUA on a current standalone basis
- the Consideration.

Definition of value

For the purpose of our opinion, we have estimated the fair market value of the CNI Interest and the Consideration. Fair market value is defined as the amount at which the CNI Interest and the Consideration would be expected to change hands in a hypothetical transaction between a knowledgeable willing, but not anxious, buyer and a knowledgeable willing, but not anxious, seller acting at arm's length.

Fair market value, as defined above, is a concept of value which may or may not equal the "purchase/sale price" that could be obtained if the CNI Interest and the Consideration were sold to a special purchaser in an actual transaction in the open market. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation has not been premised on the existence of a special purchaser.

5.2 Valuation of the CNI Interest

To estimate the fair market value of the CNI Interest, we have:

- estimated the fair market value of CUA on a going concern control basis
- applied appropriate discounts to take account of the fact that CNI holds a non-controlling but significant interest in CUA
- multiplied that value by 19.99%, given that the CNI Interest relates to 19.99% of the units in CUA.

Our estimate of the fair market value of the CNI Interest is set out in the following table.

Table 21: Fair market value of the CNI Interest

	Unit	Low value	High value
Fair market value of CUA on a going concern control basis	$'mil	138.3	148.8
Discount for lack of control	%	10.0%	5.0%
Fair market value of CUA on a significant interest basis	**$'mil**	**124.4**	**141.3**
CNI's interest in CUA	%	19.99%	19.99%
Fair market value of the CNI Interest	**$'mil**	**24.9**	**28.3**

Source: Deloitte Corporate Finance analysis
Note: Numbers in the above table may not add due to rounding

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Fair market value of CUA

In estimating the fair market value of CUA, we have applied the net assets on a going concern basis methodology. In doing so, we have estimated the current fair market value of the underlying net assets of CUA by aggregating the current fair market value of its property portfolio and other assets and liabilities, net of an estimate of the fair market value of ongoing operating costs. In our assessment we have also considered whether it is appropriate to apply a portfolio premium or discount.

We have adopted this methodology on the following basis:

- the net assets on a going concern basis approach is commonly used in valuing property investment trusts and other asset holding businesses
- an acquirer of a 19.99% interest in CUA would not have sufficient control over CUA to be able to undertake an orderly realisation of assets or to effect significant change to the operations or the underlying cost structure of CUA.

Our assessment of the fair market value of CUA is set out in the following table.

Table 22: Valuation of CUA

	Unit	Low value	High value
NTA as at 31 December 2016	**$'mil**	**166.4**	**166.4**
Net adjustment to the fair market value of the properties	$'mil	(5.3)	5.3
Premium or discount to NTA	$'mil	-	-
Capitalised operating costs	$'mil	(22.9)	(22.9)
Fair market value of CUA (on a going concern, control basis)	**$'mil**	**138.3**	**148.8**

Source: Deloitte Corporate Finance analysis

NTA as at 31 December 2016

We have estimated CUA's NTA as at 31 December 2016 based on the aggregate of the following:

- the value of CUA's property portfolio as at 31 December 2016 as recorded in the financial statements of CUA as at 31 December 2016
- the fair market value of CUA's other balance sheet items, such as cash, borrowings, receivables and payables. Based on an analysis of the most up to date available financial position for CUA, including profits derived and distributions paid subsequent to 31 December 2016, we note that the NTA of CUA has not changed materially in the period since 31 December 2016.

We note that the NTA position of CUA as at 31 December 2016 has been subject to a half-year review by CUA's auditor.

Adjustment to the fair market value of the properties

For the purposes of our valuation, we have considered the property valuations prepared as at 31 December 2016 for CUA's half-year financial reporting (CUA Property Valuations) and undertaken our own analysis regarding any changes required to the value of the CUA properties to recognise events and circumstances as at our current valuation date.

As at 31 December 2016, two of the properties within the CUA portfolio were valued by an independent property valuer, and the third property was valued by way of a Directors' valuation, in line with CUA's valuation policy. CUA's valuation policy is set out in Section 4.2. In summary, CUA conducts external valuations once every two years unless internal valuations indicate a significant movement in values, which would trigger a more immediate valuation.

In order to determine the current fair market value of CUA's properties, we have performed the following analysis:

- reviewed the Directors' valuation report prepared for the property valued in this manner as at 31 December 2016. The Directors' valuation report contains information outlining the fundamental valuation analysis undertaken for the property. This includes valuation methodologies adopted, assumptions used and reasons for changes in key assumptions since the last independent property valuation was conducted for the property
- held discussions with Management to understand:
  - the basis of the key assumptions used in the CUA Property Valuations
  - Management's views with regards to the salient market trends and outlook for CUA's property portfolio
- reviewed the most current independent property valuations report for each property (dated between April 2016 and December 2016)
- held discussions with the independent property valuers to understand:
  - the basis of the key assumptions used in their most recent valuations of CUA properties
  - their views with regards to the salient market trends and outlook for the CUA properties they have valued
- discussed and challenged the basis of the key assumptions made in both the Director's valuations and the independent property valuations for each property with the Directors and the independent property valuers, having primary regard to the following key factors:
  - current sentiment in the markets in which CUA holds properties
  - reported recent historical trends in capitalisation and discount rates
  - recent comparable property sale and leasing transactions
  - the nature of the property tenancies, including WALE and tenancy renewal
  - the nature of capital upgrades and how these may affect property valuations going forward
  - other property-specific factors, such as the location and nature of the properties.

Based on our review of the available property valuations, discussions with Management and the independent property valuers and our own independent analysis, we consider that the CUA Property Valuations as at 31 December 2016 provide a reasonable estimate of the current fair market value of CUA's property portfolio. We also note that the CUA Property Valuations were the subject of a review by CUA's auditor as at 31 December 2016 for the purposes of inclusion in the financial statements of CUA.

As is customary for property valuations, the CUA Property Valuations conclude on point estimates of value, which may imply a level of precision that is not warranted given the nature of valuation estimates. We consider it appropriate to apply a range of +/- 2.5% to the CUA Property Valuations, to reflect a reasonable valuation range, and accordingly, we have made an adjustment to the CUA Property Valuations of +/- $5.3 million to reflect the current fair market value range for CUA's property portfolio. Based on our analysis, we have no reason to consider it more likely that the fair market value of the properties would lie at either the lower or the upper end of this valuation range.

Premium or discount to NTA

Each property owned by CUA has been valued on a standalone basis. The underlying valuations of the properties represent a "control" value (i.e. assume 100% ownership of the assets). It is, therefore, not appropriate to add an additional "premium for control" in considering the value of CUA, although premiums or discounts for other reasons may be appropriate. For example, a large diversified property portfolio can provide scale and efficiencies, as well as risk mitigation, that would not otherwise be available through ownership of an individual property and, as a result, a market participant may be willing to pay a premium for a portfolio of assets when compared to the aggregate fair market value of the same assets on a standalone basis.

In Appendix D, we have set out detailed analysis of recent premiums or discounts to NTA, based on unit trading and transactions in comparable Australian REITs. Based on this analysis, and having regard to the characteristics of CUA's portfolio of investment properties, we are of the opinion that it is unlikely that a market participant would apply a premium or discount relative to the aggregated total of the current valuation of CUA's investment properties.

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Capitalised operating costs

The strategy development, management, compliance function and reporting of CUA is undertaken by the manager on behalf of the RE, for which CUA pays a base management fee. The cost structure associated with these functions being performed by the RE is not factored into the NTA of CUA.

There is an argument that such costs should not be factored into an assessment of the fair market value of a property holding company since:

- investment property management is a highly scalable business where costs tend to be relatively fixed. A third party buyer considering purchasing the portfolio of properties would likely be able to achieve economies of scale in managing the portfolio and therefore would be likely to factor in only a portion of these costs when considering the purchase price
- these costs are incurred for the purpose of improving the performance of a fund either by sourcing new investment opportunities or by optimising the existing portfolio thereby increasing the return of the existing portfolio. Accordingly, it can be argued that the ongoing costs associated with such services should produce a return equal to or higher than the cost of providing those services.

However, an acquirer of the CNI Interest would not have sufficient control to either reduce these ongoing costs, or to otherwise realise value from the underlying properties without continuing to incur these costs, for example through an orderly realisation of assets. Accordingly, we have assumed that the number of properties held by CUA will remain at the same level in the future, that CUA will retain the existing RE, and remain listed and continue to incur compliance fees.

We have estimated an appropriate adjustment by capitalising the operating costs using the following assumptions:

- ***ongoing expenses***: we have been provided with projected operating costs for FY2017 and FY2018. Based on our consideration of the appropriateness of these costs, we have estimated ongoing operating costs to be $1.7 million p.a.
- ***capitalisation rate***: we have applied a rate of 7.32% to capitalise our estimate of ongoing operating costs, being the WACR of the Proposed Merged Entity as at 31 December 2016, which is based on the underlying valuations of the properties held by CMA and CUA as at 31 December 2016. This is consistent with the rate used to capitalise the operating costs for the Proposed Merged Entity. We consider it appropriate to apply the same rate to capitalise operating costs across both CUA and the Proposed Merged Entity on the basis that the risk attached to the cost base of CUA and the Proposed Merged Entity is similar and also having regard to the fact that the ultimate owner of the RE (which the vast majority of the cost base relates to) in the case of both entities is, or will be, CNI.

We consider that a market participant would take account of these costs when considering the acquisition of the CNI interest.

Discount for lack of control

Given that the values of the underlying properties held by CUA have been determined on a control basis, we consider that our valuation of CUA represents a control value on a going concern basis.

Because the CNI Interest relates to a 19.99% interest in CUA, which does not afford full control, we consider it appropriate to apply a discount for lack of control.

In assessing an appropriate discount, we have considered the following:

- CNI has neither a controlling interest nor a portfolio interest in CUA. The CNI Interest could be considered to be a significant minority interest, which could allow some level of influence over the management of CUA
- CUA's board comprises a Chairman, who is also a non-executive director of CNI, and two non-executive directors. While not explicitly stated that the Chairman is a nominee of CNI, as a director of CNI, this implies some level of influence from CNI
- CUA's RE, CPF2L, is a wholly-owned subsidiary of CNI and, as RE, has some degree of influence over the operations of CUA.

Having regard to the above, we consider CNI has a significant level of influence over CUA, albeit less than full control, notwithstanding that it holds a direct interest of only 19.99%.

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Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. A minority interest discount is the inverse of a premium for control and generally ranges between 15% and 30%. To derive a value for the CNI Interest, we consider an appropriate discount to the fair market value of CUA on a control basis to be lower than a minority interest discount applicable to a portfolio holding, and we have applied a discount in the range of 5% to 10%.

5.3 Valuation of the Consideration

To estimate the fair market value of the Consideration, we have:

- estimated the fair market value of the Proposed Merged Entity on a going concern control basis
- applied appropriate discounts to take account of the fact that CNI will be receiving a minority, but significant, interest in the Proposed Merged Entity
- multiplied that value by 7.2%, being the interest that CNI will receive in the Proposed Merged Entity
- added the cash component of the Consideration applicable to the CNI Interest.

Our estimate of the fair market value of the Consideration is set out in the following table.

Table 23: Fair market value of the Consideration

	Unit	Low value	High value
Fair market value of the Proposed Merged Entity on a going concern control basis	$'mil	333.4	363.5
Discount for lack of control	%	10%	5%
Adjusted fair market value of Proposed Merged Entity	**$'mil**	**300.0**	**345.3**
CNI's interest in the Proposed Merged Entity	%	7.2%	7.2%
Fair market value of Scrip Consideration	**$'mil**	**21.7**	**25.0**
Cash Consideration	$'mil	3.4	3.4
Fair market value of the Consideration	**$'mil**	**25.1**	**28.3**

Source: Deloitte Corporate Finance analysis
Note: Numbers in the above table may not add due to rounding

Fair market value of the Proposed Merged Entity

In estimating the fair market value of the Proposed Merged Entity, we have applied the net assets on a going concern basis methodology. In doing so, we have estimated the current fair market value of the underlying net assets of the Proposed Merged Entity by aggregating the current fair market value of its property portfolio and other assets and liabilities, net of an estimate of the fair market value of ongoing operating costs. In our assessment of the current fair market value of the Proposed Merged Entity, we have also considered whether it is appropriate to apply a portfolio premium or discount.

We have adopted this methodology on the following basis:

- the net assets on a going concern basis approach is commonly used in valuing property investment trusts and other asset holding businesses
- an acquirer of a 7.2% interest in the Proposed Merged Entity would not have sufficient control over the Proposed Merged Entity to either be able to undertake an orderly realisation of assets or
- to effect significant change to the operations or the underlying cost structure of the Proposed Merged Entity.

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Our assessment of the fair market value of the Proposed Merged Entity is set out in the following table.

Table 24: Valuation of the Proposed Merged Entity

	Unit	Low value	High value
NTA as at 31 December 2016	**$'mil**	**408.8**	**408.8**
Adjustment to the fair market value of the properties	$'mil	(15.0)	15.0
Premium or discount to NTA	$'mil	-	-
Capitalised operating costs	$'mil	(60.3)	(60.3)
Fair market value of Proposed Merged Entity (on a control basis)	**$'mil**	**333.4**	**363.5**

Source: Deloitte Corporate Finance analysis
Note: Numbers in the above table may not add due to rounding

NTA as at 31 December 2016

We have estimated the Proposed Merged Entity's NTA as at 31 December 2016 based on the aggregate of the following:

- the value of the Proposed Merged Entity's property portfolio as at 31 December 2016 as recorded in the financial statements of CMA and CUA as at 31 December 2016
- the fair market value of the Proposed Merged Entity's other balance sheet items, such as cash, borrowings, receivables and payables. Based on an analysis of the most up to date available financial position for CUA and CMA, including our consideration of the profits derived and distributions paid subsequent to 31 December 2016, we note that the NTAs of CUA and CMA have not changed materially in the period since 31 December 2016, we note that these items have not changed materially in the intervening period.

We note that the NTA position of both CUA and CMA as at 31 December 2016 has been subject to a half-year review by the relevant entity's auditor.

Adjustment to the fair market value of the properties

The properties held by the Proposed Merged Entity will include the properties of both CUA and CMA. The fair market value of the property portfolio to be held by the Proposed Merged Entity is, therefore, the aggregate of the fair market value of the property portfolios of CMA and CUA.

For the purposes of our valuation, we have considered the same approach as set out in Section 5.2 in relation to the CUA Property Valuations, along with the property valuations prepared as at 31 December 2016 for CMA's half-year financial reporting (CMA Property Valuations) and our own analysis regarding any changes required to the value of CMA properties to recognise events and circumstances as at our current valuation date.

As at 31 December 2016, 11 of the 12 properties within the CMA portfolio were valued by way of a Directors' valuation, and the remaining property was valued by an independent property valuer, in line with CMA's valuation policy. CMA's valuation policy, which is similar to that of CUA, is set out in Section 4.1. In summary, CMA is required to conduct external valuations once every two years unless internal valuations indicate a significant movement in values, which would trigger a more immediate valuation.

In Section 5.2 we discuss our valuation of the properties held by CUA. In order to determine the current fair market value of CMA's properties, we have performed analysis consistent with the analysis performed in relation to CUA's properties.

Based on our review of the available property valuations, discussions with Management and the independent property valuers, and our own independent analysis, we consider that the CMA Property Valuations as at 31 December 2016 provide a reasonable basis for the current fair market value of CMA's property portfolio. We also note that the CMA Property Valuations were the subject of review by CMA's auditor as at 31 December 2016 for the purposes of inclusion in the financial statements of CMA.

As is customary for property valuations, the CMA Property Valuations conclude on point estimates of value, which may imply a level of precision not warranted given the nature of valuation estimates. We consider it appropriate to apply a range of +/- 2.5% to the CMA Property Valuations, to reflect a reasonable valuation range, and accordingly, we have made an adjustment to both the CMA Property Valuations and the CUA Property Valuations of +/- $15.0 million to reflect the current fair market value range for the Proposed Merged Entity's property portfolio.

Based on our analysis, we consider that the balance of risks in relation to CMA's property portfolio at the current date indicates that it is more likely that the fair market value of the portfolio of properties to be held by the Proposed Merged Entity would lie at the lower end of this valuation range, than the upper end of this valuation range. We have reached this conclusion having regard to the particular circumstances of each property, and changes which have arisen subsequent to the preparation of the CMA Property Valuations. Such changes primarily relate to the leasing profile of individual properties, and to market changes in particular locations, for example as a result of recent changes in expected future vacancy rates.

Premium or discount to NTA

Each property owned by the Proposed Merged Entity has been valued on a standalone basis. The underlying valuations of the properties represent a "control" value (i.e. assume 100% ownership of the assets). It is, therefore, not appropriate to add an additional "premium for control" in considering the value of the Proposed Merged Entity, although premiums or discounts for other reasons may be appropriate.

In Appendix D, we have set out detailed analysis of recent premiums or discounts to NTA, based on unit trading and transactions in comparable Australian REITs. Based on this analysis, and having regard to the characteristics of the Proposed Merged Entity's portfolio of investment properties, we are of the opinion that it is unlikely that a market participant would apply a premium or discount relative to the aggregated total of the current valuation of the Proposed Merged Entity's investment properties.

Capitalised operating costs

As noted in Section 5.2, there are arguments for and against an adjustment for capitalised operating costs in the assessment of the fair market value of a REIT. In the case of the Proposed Merged Entity, we consider it appropriate to make an adjustment for capitalised operating costs on the basis that an acquirer of a 7.2% interest in the Proposed Merged Entity would not have sufficient control to either reduce ongoing costs, or to otherwise realise value from the underlying properties without continuing to incur these costs, for example through an orderly realisation of assets. Accordingly, we have assumed that the number of properties held by the Proposed Merged Entity will remain at the same level in the future, that the Proposed Merged Entity will retain the existing RE, and remain listed and continue to incur compliance fees.

We have estimated an appropriate adjustment by capitalising the operating costs using the following assumptions:

- ***ongoing expenses***: we have been provided with projected operating costs for FY2017 and FY2018 for the Proposed Merged Entity. These costs have been estimated based on the operating costs for CMA and CUA on a standalone basis, adjusted for savings arising from the implementation of the Proposed Scheme, including the following:
  - no longer needing to incur certain listing and compliance costs following the delisting of CUA
  - rationalisation of costs arising from economies of scale in the Proposed Merged Entity

  Based on our consideration of the appropriateness of these adjustments, we have estimated ongoing operating costs to be $4.4 million p.a.
- ***capitalisation rate***: we have applied a rate of 7.32% to capitalise our estimate of ongoing operating costs, being the WACR of the Proposed Merged Entity as at 31 December 2016, which is based on the underlying valuations of the properties held by CMA and CUA as at 31 December 2016. This is consistent with the rate used to capitalise the operating costs for CUA. We consider it appropriate to apply the same rate to capitalise operating costs across both CUA and the Proposed Merged Entity on the basis that the risk attached to the cost base of CUA and the Proposed Merged Entity is similar and also having regard to the fact that the ultimate owner of the RE (which the vast majority of the cost base relates to) in the case of both entities is, or will be, CNI.

We consider that a market participant would take account of these costs when considering the acquisition of the Proposed Merged Entity.

Discount for lack of control

Given that the values of the underlying properties to be held by the Proposed Merged Entity have been determined on a control basis, we consider that our valuation of the Proposed Merged Entity represents a control value on a going concern basis.

While the units in the Proposed Merged Entity to be issued to CNI and its associates relate to a 7.2% interest in the Proposed Merged Entity, CNI and its associates already hold a 16.2% interest in CMA, which will equate to

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a 10.9% interest in the Proposed Merged Entity upon implementation of the Proposed Scheme. This will result in CNI and its associates holding an aggregate interest of 18.1% in the Proposed Merged Entity as a result of the Related Party Transaction. Accordingly, we consider it relevant to assess the appropriate level of discount for lack of full control based on the aggregate interest which CNI and its associates will hold in the Proposed Merged Entity (being 18.1%).

In assessing an appropriate discount, we have considered the following:

- CNI will hold neither a controlling interest nor a portfolio interest in the Proposed Merged Entity. The CNI interest could be considered to be a significant minority interest, which could allow some level of influence over the management of the Proposed Merged Entity
- the board of the Proposed Merged Entity will remain the same as the existing board of CMA, which comprises four directors, three of whom are non-executive directors. Two of the CMA directors are also directors of CNI, while the remaining two directors are independent non-executive directors. While not explicitly stated that the two directors of CMA are nominees of CNI, as directors of CNI, this implies some level of influence from CNI
- CMA's RE, CPFL, is a wholly-owned subsidiary of CNI, and as RE has some degree of influence over the operations of CMA and this is likely to also be the case with the Proposed Merged Entity.

Having regard to the above, we consider that CNI is likely to have a significant level of influence over the Proposed Merged Entity, albeit less than full control, notwithstanding that CNI and associates will hold an interest of only 18.1%.

Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. A minority interest discount is the inverse of a premium for control and generally ranges between 15% and 30%. To derive a value for the 7.2% interest to be acquired by CNI in the Proposed Merged Entity, we consider an appropriate discount to the fair market value of the Proposed Merged Entity on a control basis to be lower than a minority interest discount applicable to a portfolio holding, and we have applied a discount in the range of 5% to 10%.

6 Conclusion and opinion

Conclusion on fairness

We have considered whether the Related Party Transaction is fair by comparing the fair market value of the CNI Interest with the fair market value of the Consideration. In accordance with ASIC Regulatory Guide 111, an offer is reasonable if it is fair. An offer might also be reasonable if, despite being 'not fair', the expert believes there are sufficient reasons for the non-associated unitholders to vote for the proposal.

Set out in the table below is a comparison of our estimate of the fair market value of the CNI Interest with our estimate of the fair market value of the Consideration.

Table 25: Comparision of CNI Interest and Consideration

	Unit	Low value	High value
Estimated fair market value of the CNI Interest	$'mil	**24.9**	**28.3**
Estimated fair market value of the Consideration	$'mil	**25.1**	**28.3**

Source: Deloitte Corporate Finance analysis

There is significant overlap between the Consideration being received by CNI and the range of our estimate of the fair market value of the CNI Interest and therefore the Related Party Transaction is fair.

In addition, as noted in Section 5.3, based on our analysis, we consider that the balance of risks in relation to CMA's property portfolio at the current date indicates that it is more likely that the fair market value of the portfolio of properties to be held by the Proposed Merged Entity would lie at the lower end of this valuation range, than the upper end of this valuation range.

Accordingly it is our opinion that the Related Party Transaction is fair and reasonable.

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Cross-check to fairness: unit trading in CMA and CUA

As a cross check to our conclusion that the Related Party Transaction is fair, we have also considered our conclusion in light of unit trading in CUA and CMA.

In doing so, we have compared the following:

- the value of the CNI Interest, calculated based on volume-weighted average prices (VWAPs) for CUA multiplied by the number of units in CUA to be acquired from CNI. We have considered CUA unit trading prices in the periods leading up to the announcements of the 360 Capital transaction through the Proposed Scheme. In estimating the value of the CNI Interest, it is important to use a unit price that excludes any impact attributable to the Proposed Scheme. The trading on the dates selected for the analysis arguably excludes any influence relating to each announcement. However, since the 360 Capital transaction, it could be argued that CNI's intention to merge CUA and CMA has been public and consequently it could be argued that a control premium has been implicit within the CUA unit price since that date
- the value of the Consideration, calculated based on VWAPs for CMA post the announcement of the Proposed Scheme, multiplied by the number of units in the Proposed Merged Entity to be issued to CNI, plus the Cash Consideration. Following the announcement of the Proposed Scheme, the unit trading price in CMA increased by almost 10%, driven by the market expectation of the likely impact on the CMA unit price of the Proposed Scheme. We consider the post-announcement date to be the most appropriate unit price benchmark given that it represents the best current evidence of the unit price of the Proposed Merged Entity.

As unit trading is generally considered to be on a minority interest basis in undertaking this analysis, we have applied a premium of 22.5% to the VWAPs for CMA and CUA in order to derive a value representative of the significant influence CNI has over the Proposed Merged Entity[5].

Based on this analysis, the value of the Consideration overlaps with the valuation range for the CNI Interest and therefore provides broad support to our conclusion that the Related Party Transaction is fair. While this analysis provides a high level corroboration for our conclusion on the fairness of the Related Party Transaction, we consider that the unit prices of CUA and CMA provide only a guide to the fundamental value of the underlying REITs, given that broader economic conditions in Australia, in particular the current low interest rate environment, can have a significant influence on the trading prices of securities in Australian REITs.

Reasonableness factors

We also note the following factors unitholders may consider relevant to the reasonableness of the Related Party Transaction.

Approval of the Related Party Transaction by the Non-Associated Shareholders is a condition of the implementation of the Proposed Scheme

If the Non-Associated Shareholders do not approve the Related Party Transaction, then the Proposed Scheme will not proceed, and CMA and CUA will continue as two separately listed REITs. Accordingly, our analysis of factors the Non-Associated Unitholders may consider relevant to the reasonableness of the Related Party Transaction includes consideration of the advantages and disadvantages of the Proposed Scheme.

The Consideration being received by CNI is the same as is being received by other CUA unitholders

The Consideration payable to CNI as a result of the Related Party Transaction is on the same terms as the Consideration payable to all CUA unitholders as part of the Proposed Scheme.

[5] The premium applied has been calculated consistent with our analysis in Sections 5.2 and 5.3, using a control premium of 30%, being the midpoint of the range of premiums required to obtain control of companies found in Australian studies of 20% and 40% of the portfolio holding values, and a discount for the lack of full control of 7.5%, being the midpoint of our selected range of 5% to 10%.

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The Proposed Scheme is unlikely to affect the potential for CMA unitholders to achieve a full control value in the future

If the Proposed Scheme proceeds, the ownership interest in CMA of CNI and its related entities will increase from 16.2% to 18.1%. We do not consider that this marginal increase will result in any change in the effective control of CMA, nor do we consider it would reduce the likelihood that CMA unitholders could achieve a full control value for their units through a takeover offer at some point in the future.

The Non-Associated Unitholders' relative holding in the Proposed Merged Entity will be lower than their existing holding in CMA

If the Proposed Scheme proceeds, the ownership interest of the Non-Associated Unitholders will decrease from the current 83.8% interest in CMA to an interest of 56.1% in the Proposed Merged Entity.

The Proposed Scheme is fair to the Non-Associated Unitholders

We have considered the relative value of the Non-Associated Unitholders' ownership interest in CMA pre- and post-Proposed Scheme. Based on our analysis, using assumptions consistent with our valuation of the Proposed Merged Entity to value CMA, the value of the Non-Associated Unitholders' interest in the Proposed Merged Entity if the Proposed Scheme proceeds is consistent with the value of their interest in CMA on a standalone basis. Accordingly, the Proposed Scheme is fair to the Non-Associated Unitholders.

The Proposed Merged Entity will be of greater scale than CMA

The Related Party Transaction and the Proposed Scheme, if both approved, will result in a material increase in the scale of CMA's investment property portfolio, as follows:

- an increase in the investment properties held by CMA from 12 properties with a reported fair value as at 31 December 2016 of $391.5 million, to 15 properties with a reported fair value as at 31 December 2016 of $601.9 million
- a 47.7% increase in the NTA of CMA reported as at 31 December 2016 from $276.7 million to a pro forma NTA as at 31 December 2016 of $408.8 million.

The Proposed Merged Entity will be more diversified than CMA

The Related Party Transaction and the Proposed Scheme, if both approved, will increase the diversification of CMA's investment property portfolio, in particular, through additional exposure to the Queensland and Victorian markets, and an increased tenant pool through those properties.

The Proposed Merged Entity may be eligible for entry into the ASX 300 Index

CMA is currently ineligible for the ASX 300 Index largely because of the current liquidity of CMA's units. If the Proposed Scheme proceeds, the increased number of units and unitholders may lead to sufficient liquidity for entry into the ASX 300 Index.

Reported NTA per unit for CMA will decrease marginally as a result of the Proposed Scheme

If the Proposed Scheme proceeds, the pro forma NTA as at 31 December 2016 for the Proposed Merged Entity would be $2.29 per unit, which is marginally lower than the reported NTA for CMA as at 31 December 2016 of $2.32 per unit.

The Proposed Merged Entity will have marginally higher gearing levels than CMA

The Related Party Transaction and the Proposed Scheme, if both approved, will result in a marginal increase in the gearing of CMA from 29.5% to 30.2%, as a result of additional borrowings to fund transaction fees, payments relating to the closing out of the current interest rate swaps held by CMA and CUA, and the payment of the Cash Consideration pursuant to the Proposed Scheme.

The Proposed Scheme will have minimal impact on CMA's existing strategy and management

There is no indication that there will be any significant change to the existing strategy, board of directors, management team, and day-to-day operations of CMA as a consequence of the Proposed Scheme. Existing arrangements with the RE will remain in place, and the current terms in relation to the management of the CMA properties will, on completion of the Proposed Scheme, be extended to the CUA properties acquired.

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The Proposed Scheme will result in CMA incurring transaction costs

In order to implement the Proposed Scheme, CMA will incur transaction costs of approximately $7.4 million, in relation to termination of interest rate derivatives, concessional stamp duty payable on the acquisition of the CUA portfolio and general transaction costs. These are costs which would not be incurred by CMA absent the Proposed Scheme.

RE fees payable in relation to CUA will change

Under the Proposed Scheme, CNI will charge lower RE fees, but will charge property management fees in respect of the CUA properties, which it currently does not charge to CUA. However, CUA currently incurs property management fees which are paid to third parties. On implementation, CNI will assume the role as property manager and receive the fees that would otherwise be paid to a third party. These fees are generally recovered from the tenants.

Taxation implications arising from the Proposed Merger and the Related Party Transaction

Section 5.4.3 of the CMA NOM and EM provides detail in relation to potential taxation implications for the non-associated unitholders arising from the Proposed Scheme and the Related Party Transaction. Unitholders should obtain independent advice in connection with how the Proposed Scheme and the Related Party Transaction would affect their specific circumstances.

Opinion

Having regard to the above, we are of the opinion that the Related Party Transaction is fair and reasonable so far as Non-Associated Unitholders are concerned.

Non-Associated Unitholders should read this document in full, including having regard to the appendices, in particular Appendix A.

Yours faithfully

Stephen Reid
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Appendix A: Context to the Report

Individual circumstances

We have evaluated the Related Party Transaction for the Non-Associated Unitholders as a whole and have not considered the effect of the Related Party Transaction on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Related Party Transaction from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Related Party Transaction is fair and reasonable to the Non-Associated Unitholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of Centuria Property Funds Limited, as Responsible Entity for the Centuria Metropolitan REIT, and is to be included in the Explanatory Memorandum to the Notice of Meeting to be given to the Non-Associated Unitholders for approval of the Related Party Transaction in accordance with Listing Rule 10. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Notice of Meeting in their assessment of the Related Party Transaction outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Unitholders and the Independent Directors of Centuria Property Funds Limited, as Responsible Entity for the Centuria Metropolitan REIT, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Related Party Transaction. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Related Party Transaction is fair and reasonable in relation to Chapter 10 of the ASX Listing Rules.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Centuria Property Funds Limited and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Centuria Property Funds Limited management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Centuria Property Funds Limited and its officers, employees, agents or advisors, Centuria Property Funds Limited has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Centuria Property Funds Limited may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Centuria Property Funds Limited and its officers, employees, agents or advisors or the failure by Centuria Property Funds Limited and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Related Party Transaction.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of Centuria Property Funds Limited personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board (AUASB) or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Centuria Property Funds Limited included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of

Centuria Property Funds Limited referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Stephen Reid, M.App.Fin, B.Ec, CA, F.Fin, and Tapan Parekh, B.Bus, M.Comm, CA, F.Fin. Stephen and Tapan are Authorised Representatives of Deloitte Corporate Finance. Stephen and Tapan have many years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Centuria Property Funds Limited, as Responsible Entity for the Centuria Metropolitan REIT, proposes to issue a disclosure document in respect of the Related Party Transaction (the Explanatory Memorandum)
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Memorandum (draft Explanatory Memorandum) for review
- it is named in the Explanatory Memorandum as the 'independent expert' and the Explanatory Memorandum includes its independent expert's report in Annexure A of the Explanatory Memorandum.

On the basis that the Explanatory Memorandum is consistent in all material respects with the draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its independent expert's report in Annexure A of the Explanatory Memorandum and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the independent expert's report as included in Annexure A.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- merger presentation relating to the Proposed Scheme as at 3 March 2017
- Directors' valuation reports for CMA and CUA as at 31 December 2016
- latest external property valuation reports for CMA and CUA
- tenancies schedules for the properties relating to CMA and CUA
- audited financial statements for CMA for the years ending 30 June 2015 and 30 June 2016
- reviewed HY2017 financial statements for CMA for the period ending 31 December 2016
- audited financial statements for CUA for the years ending 30 June 2015 and 30 June 2016
- reviewed HY2017 financial statements for CUA for the period ending 31 December 2016
- financial models relating to CMA, CUA and the Proposed Merged Entity
- valuation policies for CMA and CUA
- documents relating to corporate structures for CMA, CUA and the Proposed Merged Entity
- limited financial due diligence report dated 23 March 2017
- legal and taxation due diligence reports in reference to the Proposed Scheme

- report prepared by an independent advisor regarding value attributed to the issuance of the CMA securities and the implied pricing impact of the Proposed Merged Entity under the Proposed Scheme dated 3 March 2017
- draft notice of meeting and explanatory memorandum for CMA and CUA
- information relating to unitholdings and the group structure for CNI and it associates, CMA and CUA
- CMA management service agreements dated 2014
- AET custodian agreement dated 30 October 2015
- annual reports for comparable companies
- company websites for CMA, CUA and comparable companies
- publicly available information on comparable companies and market transactions published by ASIC, Thompson research, Capital IQ, and Mergermarket
- IBIS company and industry reports
- other publicly available information, media releases and brokers reports on CUA, CMA, comparable companies and the office property industry/sectors.

In addition, we have had discussions and correspondence with certain directors and executives of CMA and CUA, including Nicholas Collishaw, Chief Executive Officer Listed Property; Nicholas Blake, CMA Trust Manager; Hengky Widjaja, CMA Trust Analyst; Matthew Hardy, CMA Independent Non-Executive Director; Darren Collins, CMA Independent Non-Executive Director; and Doug Hoskins, CUA Trust Manager; in relation to the above information and to current operations and prospects.

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Appendix B: Valuation methodologies

To estimate the fair market value of the CNI Interest and the Consideration we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its securities or the fair market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent security trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent security trading history provides evidence of the fair market value of the securities in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate fair market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate fair market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the fair market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to securityholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the fair market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

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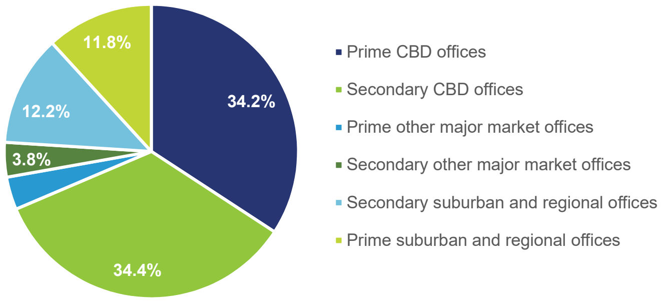
Appendix C: Office property market industry

Industry overview

The Australian office property sector includes office properties in prime and secondary CBD, metropolitan, suburban and regional locations. The following figure shows the expected FY2017 segmentation of the sector by classification and location.

Figure 6: Market segmentation



Source: IBISWorld

Industry participants include individual investors, property syndicates, companies and trusts that own or lease office property. While the sector is highly fragmented, a few large organisations, such as DEXUS Property Group and AMP Capital, hold large portfolios of office properties.

Office property operators have performed well over the last five years. Record low interest rates coupled with the wider availability of credit has underpinned growth in office property values. The key drivers of the industry include:

- **level of business activity and number of non-manual employees in the workforce**: as business activity and employment of non-manual employees increases, demand for office space increases
- **interest rates**: low interest rates generally stimulate investment in assets including office property
- **demand from superannuation funds**: superannuation funds are major investors in the commercial and industrial property markets and growth in these funds can stimulate supply of these properties
- **transforming office environments**: technological advances are changing the office environment, with workers becoming increasingly mobile and less reliant on specific office locations. These changes are limiting demand for office space and tenants are seeking more flexible arrangements from lessors.

According to IBISWorld, rent revenues from office property have grown at a compound annual growth rate (CAGR) of 10.6% over the last five years, to a total of $33 billion as at December 2016.

Demand for office property is expected to grow over the next five years, albeit at growth rates lower than previously experienced.

Property valuation trends

Over the past three years there has been a substantial increase in the appetite of local and overseas purchasers seeking to acquire quality office property investments, as economic growth has shifted from mining activity to service-based growth, particularly in the eastern states. This, associated with a decrease in interest rates, has resulted in yield compression.

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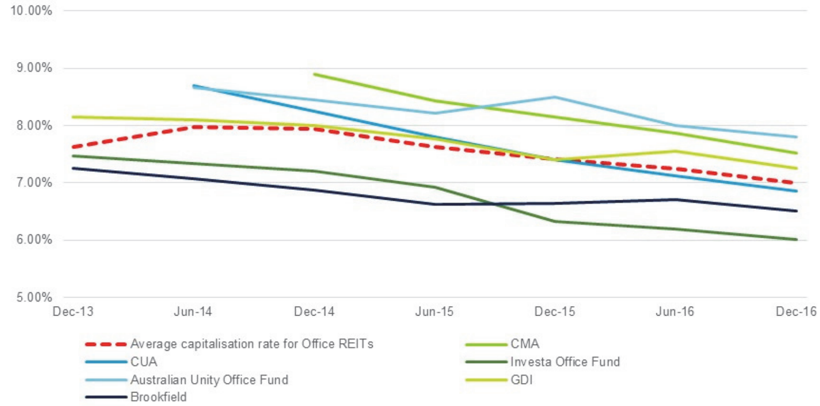
The figure below shows the compression of WACR for Australian listed office REITs over the last three years, compared to CMA and CUA.

Figure 7: Trends in WACRs for Australian listed office REITs, 31 December 2013 to 31 December 2016

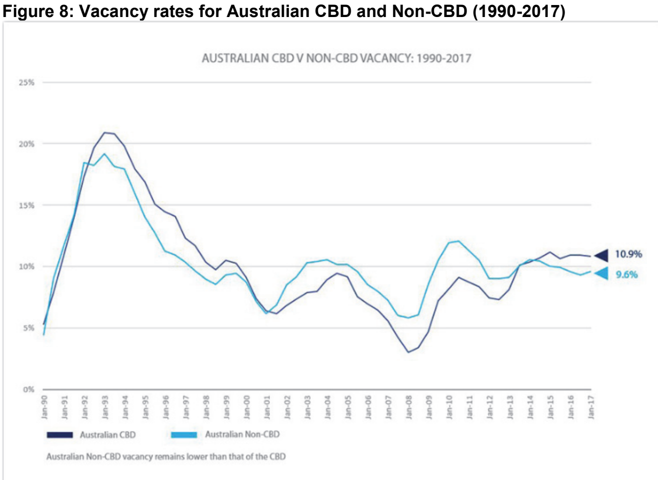


Source: Deloitte Corporate Finance analysis

In terms of office vacancy rates, the Australian CBD office vacancy rate has remained relatively steady over the six months to January 2017, dropping by 0.1% to 10.9%[6]. A 1.1% increase in tenant demand along with the withdrawal of buildings for redevelopment, failed to outweigh a 2% increase in supply[7]. The following are the key observations noted by the Property Council of Australia:

- demand for office space grew over 3.5 times the historical average in Melbourne and over 5 times the historical average in Brisbane
- Sydney and Melbourne CBDs, with vacancy rates of 6.2% and 6.4% respectively, continue to demonstrate strong office market performance
- Australia's divergent office markets are expected to experience a super-cycle of low supply.

Figure 8: Vacancy rates for Australian CBD and Non-CBD (1990-2017)



Source: Property Council of Australia

[6] Office Market Report - Property Council of Australia

[7] CBD office market special: city by city analysis dated 4 February 2017 – Financial Review

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We note the following in relation to vacancy rates in the CBD and non-CBD office markets in Sydney, Melbourne, Brisbane and Canberra:[8]

Sydney:

- vacancies for CBD offices are expected to trend lower from 6.2% in January 2017 to a floor of 3.7% by 2019 on account of positive demand and limited supply. However, beyond 2019, it is anticipated that the overall vacancy rate will gradually revert back to the long-term trend of 6%, underpinned by the completion of the next generation of new office buildings in the CBD
- increase in tenant demand on account of favourable leasing conditions resulted in a decrease in the vacancy rate for the non-CBD office to 6.2% as at January 2017. With limited supply expected in the next 12 months, the vacancy rate is expected to trend downwards.

Melbourne:

- with a vacancy rate of 6.4%, Melbourne is the second lowest vacancy rates amongst all of Australia's CBD offices. As a result of sustained demand and limited supply, the overall vacancy rate is expected to fall to 4.2% by 2018, before rising moderately in 2019 with the commencement of the new developments
- non-CBD offices recorded the highest absorption level with the vacancy rate dropping from 7.5% in January 2016 to 7.0% in January 2017. Despite the trend of tenants migrating into the CBD and the increased speculative development, the Melbourne non-CBD office vacancy rate is expected to remain moderately controlled with the withdrawal of obsolete office stock.

Brisbane:

- the vacancy rate for CBD offices decreased from 16.9% in July 2016 to 15.3% in January 2017. Limited new supply combined with withdrawals has led to the decrease in vacancy rate. Going forward, the vacancy rate is expected to decrease gradually in the short term as tenants seek to upgrade their office space, driven by high incentives and competitive effective rents. The vacancy rate for the CBD office is expected to decrease to 14.6% by January 2018
- the vacancy rate for non-CBD office decreased from 12.9% in July 2016 to 12.6% in January 2017. Limited supply with only two projects anticipated in 2018 is expected to stabilise the market.

Canberra:

- vacancies has been on a downward trend over the past 2 years for CBD offices as a result of an improvement in demand and the withdrawal of secondary stock. The lack of office accommodation combined with no new supply for the next 2 years is expected to further tighten vacancy rates. The vacancy rate for the CBD office is expected to decrease from 12.6% in January 2017 to 8.5% in January 2018.

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[8] Research & Forecast Report – First Half 2017 – Colliers International

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Appendix D: Premiums or discounts to the fair market value of the properties

In considering the extent to which it is appropriate to apply a premium or discount to the aggregated value of the property portfolios of CUA or the Proposed Merged Entity, we have considered market evidence on the extent to which a market participant may be willing to pay a premium for a portfolio of investment properties as compared to the aggregate fair market value of the same investment properties on a standalone basis.

CUA and CMA own predominantly office properties and are, therefore, most aligned with the office REITs sub-sector. Given that CUA and CMA are listed REITs, we have had regard to, amongst other things, the observed premium or discount to the NTA of CUA, CMA and other comparable ASX listed office REITs.

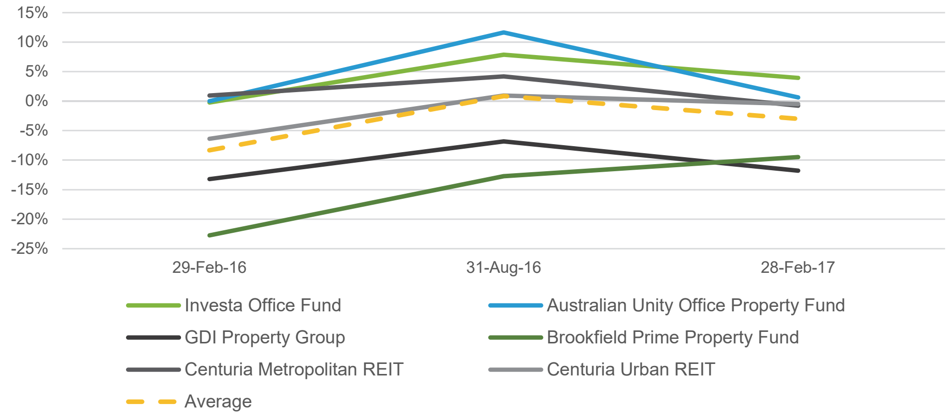
We have not included integrated property REITs in our analysis that may contain office properties (e.g. Cromwell) as these REITs are also external fund managers to other funds and are vertically integrated with internal funds management teams. Therefore, any market premiums observed may be due to the revenue streams and cost savings associated with this aspect of the business (i.e. the premium is effectively incorporating some component of value related to the funds management business) and are not comparable for the purposes of our analysis.

ASX listed Office REITs

A REIT trading at a discount to NTA implies that the market is applying a lower value to the underlying properties held by the REIT than that assessed by property valuations at each reporting date, while a REIT trading at a premium to NTA implies that the market is applying a higher value to the underlying properties than that assessed by property valuations at each reporting date.

We have also considered the trend in discounts/premiums to NTA over the past three financial statement release periods (i.e. 29 February 2016, 31 August 2016, and 28 February 2017), as set out in the following figure.

Figure 9: Implied premium or discount to NTA, based on market capitalisation



Source: Deloitte Corporate Finance analysis

This analysis suggests a range of between negative 23% and positive 12%, however, the recent trend indicates that the range of observed premiums and discounts has narrowed. As at the most recent reporting date, being 28 February 2017, a median and average discount to NTA of 1% and 3%, respectively, were observed in the listed Australian office REIT sector across these comparable companies.

We note the following in relation to the office REITs referred to above:

- of the office REITs indicated, only GDI Property Group (GDI) is an internally managed fund. GDI has been trading at discounts to NTA over the past two years

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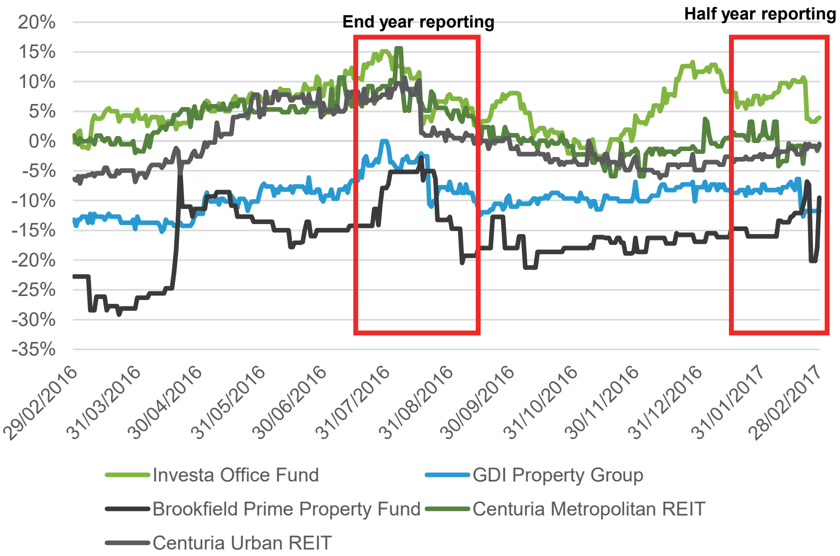
- Investa Office Fund (IOF) has 21 office properties under management. Most of the properties are, however, located within Australian central business districts (CBD). Additionally, most of the IOF's properties are grade A or premium as compared to the properties held by CMA and CUA. CMA's and CUA's properties are generally grade B and below
- Australian Unity Office Property Fund (AOF) has eight properties located in CBDs and suburban areas. AOF's WALE and gearing are similar to those of CMA
- Brookfield Prime Property Fund (Brookfield) and CUA each have only three properties. Of the three properties that Brookfield has, the fund has 50% interest in two of the properties. Additionally, though Brookfield's properties are grade A in nature, the fund has a higher LVR ratio than CUA.

We note that there is a trend in premiums or discounts to NTA being recalibrated during the half year and year end reporting periods. This implies that the observed premiums or discounts prior to the release of financial results are based on investors' expectations of increases or decreases in NTA due to property revaluations, as a result of capitalisation rates, capitalisation rate compression and underlying rental income increases.

The following figure illustrates the trading patterns of the office REITs sub-sector in the year leading up to the latest reporting date.

Figure 10: Trading patterns of the office REITs sub-sector



Source: Deloitte Corporate Finance analysis

The above figures demonstrates that between reporting dates, when property valuations reported by companies are less current, premiums and discounts are more likely to arise, with unit trading broadly supporting NTA following property revolutions being disclosed to the market through financial reporting. We note that:

- during the months leading up to end of year 2016 financial reporting, units in CMA and CUA traded at increasing prices, from a discount or no premium in February 2016 to a small premium in June 2016 prior to revised property valuations being announced to the market. This is consistent with the rising property market which was experienced over this time period, and the upwards revaluations of CMA and CUA's properties at 30 June 2016
- during the months between end of year 2016 financial reporting and half year 2017 financial reporting, units in CMA and CUA traded at decreasing prices, from no discount or premium immediately following end of year property revaluations, to a small discount prior to half year property revaluations.

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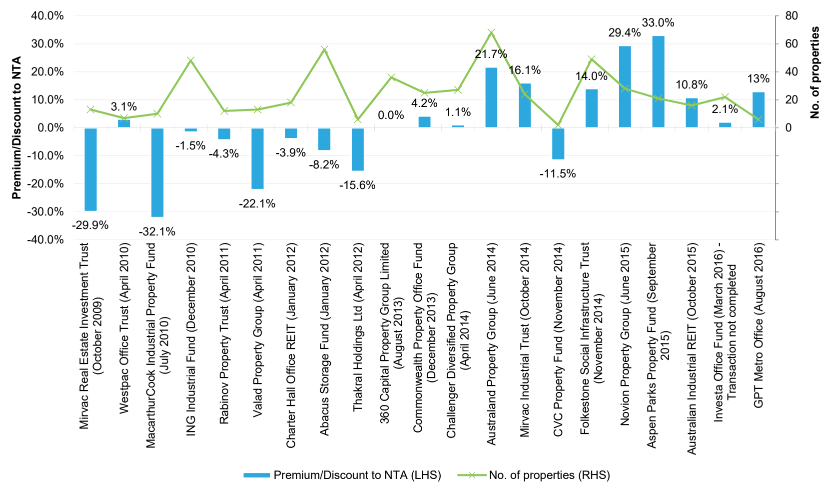
Transactions involving ASX listed REITs

Given that there are limited number of transactions specifically related to office REITs, we considered the premium or discount to NTA observed in all recent transactions involving ASX listed REITs, as set out in the figure below.

Figure 11: Premiums or discounts to NTA from transactions



Source: Deloitte Corporate Finance analysis

We make the following observations in relation to the above transactions:

- over the period 2009 to 2012, market conditions were more challenging than today. A number of REITs were in a deleveraging phase requiring capital injections and, therefore, the transactions reflect an element of distress which resulted in a number of transactions occurring at significant discounts to NTA
- since 2012, market conditions have improved, and most transactions during this period have taken place at a premium to NTA, albeit that some transactions have shown very small premiums to NTA, and that in a rising market, some element of the transaction premium could relate to time differences between the transaction announcement and the latest property valuations undertaken
- over the past four years, most transactions have involved REITs owning more than 15 properties. We have had particular regard to the following transactions as being more comparable to CUA and CMA:
  - Investa Office Fund owned a portfolio of 22 commercial office properties, with combined valuation of approximately $3.5 billion, across Australia. The subject properties were predominately grade A or premium in nature and were located in CBD areas. Although the proposed transaction was ultimately not completed , the independent expert concluded that the transaction, which was at a 2.1% premium to NTA, was fair and reasonable
  - Challenger Diversified Property Group owned 27 retail, commercial office and industrial properties across Australia. Despite a sizeable and diversified portfolio, the transaction demonstrated a 1.1% premium to NTA
  - Commonwealth Property Office Fund (CPA), an externally managed fund, owned 25 office properties in the CBD and major suburban markets across Australia. CPA was acquired by DEXUS Property Group and Canada Pension Plan Investment Board (CPPIB) and the transaction closed at a 4.2% premium to NTA. Unitholders of CPA could choose between two cash and scrip mix alternatives
  - GPT Metro Office owned six office properties in Sydney, Melbourne and Brisbane. Growthpoint was the successful bidder following a competing takeover offer from Centuria Metropolitan REIT, and paid a 12% premium to NTA. This transaction involved both cash and scrip consideration

- Brookfield Group had a proposal to acquire the remaining units it did not held in Brookfield Prime Property Fund (BPPF). The consideration offered was a 20.6% premium to the closing unit price on 31 October 2014, but a 13.7% discount to NTA. The independent expert concluded that the transaction was not fair, but reasonable, on the basis that the consideration was greater than the highest price ever traded. Additionally, BPPF had low trading liquidity and had high gearing and refinancing risk. The transaction was ultimately not approved by unitholders.

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Corporate Directory

Responsible Entity (CMA)
Centuria Property Funds Limited
Level 39
100 Miller Street
North Sydney NSW 2060

Responsible Entity (CUA)
Centuria Property Funds No. 2 Limited
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100 Miller Street
North Sydney NSW 2060

Directors of CPFL
Peter Done (Chairman)
Darren Collins
Matthew Hardy
Jason Huljich

Directors of CPF2L
John Slater (Chairman)
Michael Figg
Robert Lloyd

Financial Adviser (CMA)
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Legal Adviser (CMA)
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Legal Adviser (CUA)
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Taxation Adviser
Ernst & Young
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Sydney NSW 2000

CMA Registry
Computershare Investor Services Pty Limited
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Sydney NSW 2000

CUA Registry
Boardroom Pty Limited
Level 12
225 George Street
Sydney NSW 2000

Centuria®

Centuria

Centuria Metropolitan REIT
Centuria Property Funds Limited ("CPFL")
(ABN 11 086 553 639 AFSL 231149)
as Responsible Entity of
Centuria Metropolitan REIT
(ARSN 124 364 718)

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Victoria 3001 Australia

In Person:
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Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

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For all enquiries call:

(within Australia) 1300 651 367
(outside Australia) +61 3 9415 4282

Proxy Form

Vote and view the Notice of Meeting online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective this proxy form must be received by 9:30am (AEST) on Monday, 12 June 2017

How to Vote on the Item of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite the item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on the item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of Centuria Metropolitan REIT.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring a copy of this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for CPFL, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

Proxy Form

Please mark X to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Centuria Metropolitan REIT (ARSN 124 364 718) hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Meeting of Centuria Metropolitan REIT to be held at Level 39, 100 Miller Street, North Sydney NSW 2060, on Wednesday, 14 June 2017 at 9:30am (AEST) and at any adjournment or postponement of that Meeting.

STEP 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for this item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the acquisition of the CNI Units from Centuria Investment as part of the Scheme as described in the Explanatory Statement accompanying this Notice of Meeting.			

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________ Contact Daytime Telephone ______________ Date ___ / ___ / ___