



Australian Securities Exchange - Company Announcements Platform

Centuria Capital Limited

Centuria to Create Stapled Security Structure to Support Future Growth Opportunities

Sydney, 26 August 2016:

Centuria Capital Limited (**Centuria**) (ASX Code: CNI) announces a stapling proposal (**Stapling Proposal**) that will, if approved, result in the creation of the Centuria Capital Group.

If the Stapling Proposal is approved, Centuria Capital Group will become an ASX listed stapled security comprising one share in Centuria Capital Limited (Company) and one unit in Centuria Capital Fund (Trust). The Stapling Proposal is purely a restructure and there is no further consideration required from Centuria investors.

"The Stapling Proposal is consistent with Centuria's vision of diversifying its property division across all parts of the property investment cycle." commented Centuria Group CEO, John McBain.

Increasing recurring income through co-investments is one of our immediate objectives and the Stapling Proposal is an important step that ensures Centuria shareholders maximise the benefit from any direct or indirect co-investment in real estate.

As part of the Stapling Proposal, Centuria will transfer its current property investments (valued at approximately \$52.5 million) to the new Centuria Capital Fund (Trust), which will be stapled to Centuria Capital Limited (Company) on a one unit for one share basis.

The Stapling Proposal will be put before the Centuria shareholders for approval at an extraordinary general meeting to be held at 10:00 am on Tuesday, 27 September 2016 (**EGM**) at the Hobart Room, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000.

Centuria has prepared the attached Notice of Meeting which includes an Explanatory Memorandum in order to provide important information to its shareholders in relation to the Stapling Proposal and the EGM.

- Ends -

For more information or to arrange an interview, please contact:

John McBain
CEO

Centuria Capital Limited
Phone: 02 8923 8910
Email: john.mcbain@centuria.com.au

Shalome Ruiter

Investor Relations Manager

Centuria Property Funds Limited
Phone: 02 8923 8962
Email: shalome.ruiter@centuria.com.au



About Us

Centuria Capital "CNI" is an ASX-listed specialist investment manager with \$1.9 billion in funds under management. We offer a range of investment opportunities including listed and unlisted property funds as well as tax-effective investment bonds. Our drive, allied with our in-depth knowledge of these sectors and intimate understanding of our clients, allows us to transform opportunities into rewarding investments.

Any forward looking statements included in this announcement involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, CNI and its directors. In particular, they speak only as of the date of this announcement, they assume the success of CNI's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties, risks and other factors. Actual future events may vary materially from forward looking statements and assumptions on which those statements are based. Other than as required by law, although they believe there is a reasonable basis for the forward looking statements, neither CNI nor its directors, officers, employees or any related body corporate, gives any representation, assurance or guarantee (express or implied) as to the accuracy or completeness of any forward looking statement or that the occurrence of any event, result, performance or achievement will actually occur. Recipients are cautioned not to place undue reliance on such forward looking statements.



Dear Centuria Shareholder,

Stapling Proposal

On behalf of the Board of Centuria, I am pleased to invite you to consider a proposal (**Stapling Proposal**) to staple your shares in Centuria to units in a new Centuria fund (**Centuria Capital Fund**). The reasons for the Stapling Proposal are set out below and in further detail in the Explanatory Memorandum attached.

The Stapling Proposal will be put before Centuria Shareholders for approval at an Extraordinary General Meeting (**EGM**) to be held on 27 September 2016 at 10:00am (Sydney time) at the Hobart Room, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000.

Existing Centuria business will be split

Under the Stapling Proposal the existing Centuria business will be split into two parts. Centuria will continue to be the operating company, carrying on its funds management, active asset management and investment bonds business. However, the Centuria Group's property investments (valued at approximately \$52.5 million) will be transferred to the Centuria Capital Fund.

Key benefits

The key benefits of the Stapling Proposal are described more fully within the Explanatory Memorandum and include that the Stapling Proposal:

- **is consistent with Centuria's vision** of fully diversifying its property division across all the parts of the property investment market and all parts of the property investment cycle: acquisition, value-add management, re-development and active funds and property management activities;
- **will facilitate Centuria's plans to increase its co-investment** alongside its investors in Centuria managed property funds and to increase its recurring revenue as a proportion of its total earnings; and
- **will bring Centuria Group's structure into line** with other listed property fund managers, providing a more transparent benchmarking of performance and the potential for the Centuria Stapled Securities to be re-rated.

Distribution of one unit to existing Centuria Shareholders for each share held

The units in the Centuria Capital Fund will be distributed to Centuria's shareholders on a one for one basis (so that you will receive one unit for each Centuria share that you hold). You will continue to have your share in Centuria but you will also receive a unit in the new Centuria Capital Fund. **You do not need to pay any money for the units that you receive and, if the Stapling Proposal is approved, you do not need to take any action in order to receive your units.**

The share and unit will be "stapled", meaning that they will trade together as a single security.

**No change to underlying businesses**

The existing Centuria businesses and your interest in them will not change except that the Centuria Group's property investments will be housed in the Centuria Capital Fund.

However, as outlined above, the Stapling Proposal is consistent with Centuria's plans to grow its co-investments in Centuria managed property funds.

Please read this Explanatory Memorandum

The purpose of this Explanatory Memorandum is to enable you to consider whether the Stapling Proposal should proceed.

It contains important information and should be read prior to voting on the Stapling Proposal at the EGM.

Your Centuria Directors unanimously recommend that you vote in favour of all Resolutions and that you support the Stapling Proposal.

The Centuria Directors believe that the Stapling Proposal is consistent with Centuria's vision that its property division become diversified across all of the parts of the property investment market and is consistent with Centuria's plans to co-invest alongside its investors in Centuria managed property funds.

The Explanatory Memorandum also sets out the alternative to and disadvantages of the Stapling Proposal to assist you in your decision regarding the proposal.

Please contact the Stapling Proposal Information Line on 1300 641 605 (callers in Australia) or +61 3 9415 4130 (callers outside Australia) between 8:30am and 5:00pm (Sydney time) with any questions in relation to the Stapling Proposal.

Yours sincerely,

Garry Charny
Chairman - Centuria Capital Limited



CENTURIA CAPITAL LIMITED

ACN 095 454 336

Notice of an Extraordinary General Meeting and Explanatory Memorandum for the Stapling Proposal

**THE DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU
VOTE IN FAVOUR OF ALL RESOLUTIONS AND SUPPORT THE
STAPLING PROPOSAL**

**An Extraordinary General Meeting of Centuria Capital Limited will be held
at the Hobart Room, Sofitel Sydney Wentworth, 61-101 Phillip Street,
Sydney NSW 2000, on 27 September 2016 at 10.00 am**

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

If you have any questions about the Stapling Proposal, please call the Stapling Proposal Information Line on 1300 641 605 (callers in Australia) or +61 3 9415 4130 (callers outside Australia) between 8.30 am and 5.00 pm (Sydney time) on Business Days.

Legal adviser



IMPORTANT NOTICES

Purpose of this Explanatory Memorandum

This Explanatory Memorandum is dated 25 August 2016.

This Explanatory Memorandum provides information to the holders (**Centuria Shareholders**) of ordinary shares (**Centuria Shares**) in Centuria Capital Limited (**Centuria**) to assist them to decide whether to support a proposal (**Stapling Proposal**) pursuant to which a stapled group (**Centuria Capital Group**) will be created.

This will be achieved by Centuria distributing units (**Centuria Units**) in the Centuria Capital Fund to the Centuria Shareholders (**Centuria Unit Distribution**) and the stapling of those Centuria Units to Centuria Shares on a one for one basis. No payment is required from Centuria Shareholders in relation to the Stapling Proposal.

The Stapling Proposal will be put before the Centuria Shareholders for approval at an extraordinary general meeting (**EGM**) to be held at 10:00 am on 27 September 2016. This Explanatory Memorandum also includes a Notice of Meeting for the EGM.

ASIC and ASX

A copy of this Explanatory Memorandum will be lodged with ASIC and the ASX. Neither ASIC nor the ASX nor any of their officers takes any responsibility for the content of this Explanatory Memorandum. The fact that the ASX may admit the Centuria Capital Fund to its Official List and quote Centuria Stapled Securities is not to be taken in any way as an indication of the merits of Centuria, the Centuria Capital Fund, the Centuria Capital Group or the Stapling Proposal.

Investment advice

The information in this Explanatory Memorandum is not financial product or investment advice nor a recommendation in respect of the Centuria Shares or Centuria Units. 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, Centuria Shareholders 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. Centuria is not licensed to provide financial product advice in respect of the Centuria Units.

Forward-looking statements

This Explanatory Memorandum contains certain forward-looking statements which are not based solely on historical facts, but are rather based on Centuria'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 Centuria 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 Centuria is no guarantee of future performance of the Centuria Capital Group.

Except to the extent required by law, none of Centuria, the Centuria Directors, any member of the group of Centuria companies (**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.

No guarantee of capital or investment returns

The Centuria Stapled Securities to be created under the Stapling Proposal are subject to investment risk including loss of income or principal invested. No person (including Centuria, the Centuria Group or any of their associates), gives any guarantee or assurance as to the performance of the Centuria Stapled Securities, any return on the Centuria Stapled Securities or the repayment of capital invested.

Application for listing and quotation

Centuria Funds Management Limited (**CFML**) will apply for the Centuria Capital Fund to be admitted to the Official List of the ASX and for quotation of the Centuria Units (as stapled to the Centuria Shares and traded as Centuria Stapled Securities) within one week of the date of this Explanatory Memorandum.

Cleansing Notice

Centuria will issue a notice pursuant to section 1012DA of the Corporations Act within 5 Business Days after the Centuria Unit Distribution:

- stating that the Centuria Units were issued without a product disclosure statement;
- stating that Centuria as a disclosing entity is subject to regular reporting and disclosure obligations;
- stating that as at the date of the notice, Centuria has complied with the provisions of Chapter 2M (relating to financial reporting and audit) and section 674 (the continuous disclosure obligation) as they apply to Centuria; and
- setting out any information that has been excluded from a continuous disclosure notice in accordance with the listing rules of the relevant market operator and that a retail client would reasonably require for the purpose of making a decision whether to acquire a Centuria Unit.

In order to provide a notice under section 1012DA, the Centuria Units which are the subject of the notice must have been continuously quoted for three months prior to the date of the Centuria Unit Distribution. Although Centuria Shares were continuously quoted for the three months prior to the date of the Centuria Unit Distribution, Centuria Stapled Securities (insofar as

they include Centuria Units) were not. Accordingly, Centuria has applied for, and obtained, relief from the requirement in section 1012DA that Centuria Stapled Securities are continuously quoted on the ASX for such a period in order that a cleansing notice may be issued and a product disclosure statement not required to support the secondary trading of the Centuria Stapled Securities.

Up to date information

Centuria will issue or procure the issue of a supplementary document to this Explanatory Memorandum if Centuria becomes aware of any of the following between the date of this Explanatory Memorandum and the date the Centuria Stapled Securities are quoted on the ASX:

- a material statement in the Explanatory Memorandum is misleading or deceptive;
- a material omission from the Explanatory Memorandum;
- there has been a significant change affecting a matter included in this Explanatory Memorandum; or
- a new circumstance has arisen which would have been required to be included in the Explanatory Memorandum if it had been known at the date of this Explanatory Memorandum.

However, if the change will not be materially adverse, a supplementary document may not be issued. Updated information that is not materially adverse may change from time to time and will be made available to you on the Centuria website at <http://centuria.com.au/>. A paper copy of any updated information is available free on request. You can also call the Stapling Proposal Information Line on 1300 641 605 (callers in Australia) or +61 3 9415 4130 (callers outside Australia) between 8.30 am and 5.00 pm (Sydney time) on Business Days.

Warning for New Zealand investors

The warning statement below is required under the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008 (New Zealand).

The Stapling Proposal and the contents of this Explanatory Memorandum are principally governed by Australian rather than New Zealand law.

There are differences in how securities are regulated under Australian law. In the main, these are set out in the Corporations Act and Regulations. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

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

Both the Australian and New Zealand securities regulators may have enforcement responsibilities in relation to the Stapling Proposal. If you need to make a complaint about this Stapling Proposal, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

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

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

The currency for the Centuria Stapled Securities is Australian dollars and not New Zealand dollars. The value of the securities in New Zealand dollars will go up or down according to changes in the exchange rate between Australian dollars and New Zealand dollars. These changes may be significant. If you expect the Centuria Stapled Securities to pay any amounts in a currency that is not Australian dollars you may incur significant fees in having the funds converted to that currency, for example, in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If you wish to trade the Centuria Stapled Securities on the ASX, you will have to make arrangements for an ASX participant to sell the Centuria Stapled Securities on your behalf. The way in which the ASX market operates, the regulation of participants in that market, and the information available to you about the securities markets that operate in Australia will be different than for the NZX.

The dispute resolution process described in this Explanatory Memorandum is only available in Australia and is not available in New Zealand.

The invitation to approve the stapling of Centuria Shares and Centuria Units to form the Centuria Capital Group is being made to New Zealand resident securityholders in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand). This Explanatory Memorandum has been prepared in compliance with Australian law and is not an investment statement, prospectus or product disclosure statement under New Zealand law and has not been registered, filed with, or approved by any New Zealand regulatory authority or under or in accordance with the New Zealand Securities Act 1978, New Zealand Financial Markets Conduct Act 2013 or any other relevant law in New Zealand. It may not contain all the information that an investment statement, prospectus or product disclosure statement under New Zealand law is required to contain. It is a term of the Stapling Proposal that any offer of securities to the public in New Zealand is made in compliance with the laws of Australia and any code, rules and requirements relating to the offer that apply in Australia.

Defined terms

Unless otherwise indicated, all references to Sections are references to Sections of this Explanatory Memorandum.

Capitalised terms and certain abbreviations used in this Explanatory Memorandum are defined in the Glossary in Section 15.

Unless the contrary intention appears, the context requires otherwise or words are defined in Section 15, words and phrases in this Explanatory Memorandum have the same meaning and interpretation as in the Corporations Act.

Enquiries

If you are in any doubt as to how to deal with this Explanatory Memorandum, you should consult with your professional adviser. If you have any questions about the Stapling Proposal, please call the Stapling Proposal Information Line on 1300 641 605 (callers in Australia) or +61 3 9415 4130 (callers outside Australia) between 8.30 am and 5.00 pm (Sydney time) on Business Days.

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Important dates

Latest date for return of proxies	25 September 2016 at 10:00 am
Extraordinary General Meeting (EGM)	27 September 2016 at 10:00 am
Results of EGM lodged	27 September 2016
Deferred settlement trading commences in Centuria Stapled Securities Admission of Centuria Capital Fund to the Official List	29 September 2016
Record Date	30 September 2016 at 7:00 pm
Effective date for Distribution of Centuria Units and Stapling Last day of trading of Centuria Stapled Securities on a deferred settlement basis	4 October 2016
Completion of dispatch of holding statements	5 October 2016
Commencement of normal trading of Centuria Stapled Securities	5 October 2016

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/>. All references to time in this Explanatory Memorandum are references to the time in Sydney. Centuria 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

Centuria Shareholders should read this Explanatory Memorandum and the Notice of Meeting carefully before deciding how to vote on the Resolutions.

The Extraordinary General Meeting of Centuria will be held at the Hobart Room, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000, on 27 September 2016 at 10.00 am.

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

Centuria Shareholders can vote by:

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

By mail or in person to:

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

Or
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 10.00 am (Sydney time) on 25 September 2016.

If you are in any doubt as to how to deal with this Explanatory Memorandum, you should consult with your professional adviser. If you have any questions about the Stapling Proposal, please call the Stapling Proposal Information Line on 1300 641 605 (callers in Australia) or +61 3 9415 4130 (callers outside Australia) between 8.30 am and 5.00 pm (Sydney time) on Business Days.



Dear Centuria Shareholder,

Stapling Proposal

On behalf of the Board of Centuria, I am pleased to invite you to consider a proposal to create a more efficient way of holding Centuria's property fund co-investments.

Existing Centuria business will be split into two parts

Under the Stapling Proposal the existing Centuria business will be split into two parts. Centuria will continue to be the operating company, carrying on its funds management, active asset management and investment bonds business. However, the Centuria group's property investments (valued at approximately \$52.5 million) will be transferred to a new fund (the **Centuria Capital Fund**).

Reasons for proposing the Stapling Proposal

The key benefits of the Stapling Proposal are described in Section 4 of this Explanatory Memorandum and include that the Stapling Proposal:

- **is consistent with Centuria's vision** of fully diversifying its property division across all the parts of the property investment market and all parts of the property investment cycle: acquisition, value-add management, re-development and active funds and property management activities;
- **will facilitate Centuria's plans to increase its co-investment** alongside its investors in Centuria managed property funds and to increase its recurring revenue as a proportion of its total earnings; and
- **will bring Centuria Group's structure into line** with other listed property fund managers, providing a more transparent benchmarking of performance and the potential for the Centuria Stapled Securities to be re-rated.

The Stapling Proposal does not create any additional risk for Centuria Shareholders. It merely involves a separation of Centuria's passive property investments from its active business. The general business risks will remain the same before and after the Stapling Proposal is implemented. Please refer to Section 7 for the material risks for Centuria's existing business.

Distribution of one unit to existing Centuria Shareholders for each share held

The units in that fund will be distributed as an equal capital reduction to Centuria's shareholders on a one for one basis (so that you will receive one unit for each Centuria share that you hold). You will continue to have your share in Centuria but you will also receive a unit in the new Centuria Capital Fund. You do not need to pay any money for the units that you receive and, if the Stapling Proposal is approved, you do not need to take any action in order to receive your units.

The share and unit will be "stapled", meaning that they will trade together as a single security.

No change to underlying business

The existing Centuria business and operations and your interest in them will not change except that the Centuria group's property investments will be housed in the Centuria Capital Fund.

Extraordinary general meeting to consider approving the Stapling Proposal

The Stapling Proposal will be put before Centuria Shareholders for approval at an extraordinary general meeting (**EGM**) to be held on 27 September 2016 at 10.00 am (Sydney time).

The Explanatory Memorandum contains important information and should be read prior to voting on the Stapling Proposal at the EGM. The EGM will be held at the Hobart Room, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney NSW 2000, on 27 September 2016 at 10.00 am.

Recommendation

Your directors unanimously recommend that you support the Stapling Proposal by voting in favour of all of the Resolutions.

Disadvantages of the Stapling Proposal

There is a potential disadvantage with the Stapling Proposal for Centuria Shareholders who hold Centuria Shares that have a cost base of less than \$0.68 per Centuria Share. The issue of the Centuria Unit will trigger a capital gains tax (**CGT**) event for CGT purposes and, subject to any discount applicable under the CGT discount rules, CGT will be payable on the amount by which their Centuria Shares have a cost base of less than \$0.68. Based on the historical trading price of Centuria Shares the Centuria Directors believe that this is likely to affect a small number of Centuria Shareholders.

The Stapling Proposal will also result in an increase in annual listing fees and compliance costs but the Centuria Directors consider that the significant benefits provided by the Stapling Proposal outweigh those costs. In addition there are once-off costs in implementing the Stapling Proposal. These are estimated to be \$250,000, of which approximately \$150,000 has already been incurred in establishing the Centuria Capital Fund and putting the Stapling Proposal to Centuria Shareholders. These costs will be paid for out of Centuria's cash reserves.

Alternative to Stapling Proposal

The alternative to the Stapling Proposal is that Centuria continues to hold its property investments through its corporate structure (that is, no change is made to the existing structure). In a highly competitive market place where industry players are competing to grow funds under management, the Centuria Directors consider that continuing with the current corporate structure would put Centuria at a competitive disadvantage.

Please contact the Stapling Proposal Information Line on 1300 641 605 (callers in Australia) or +61 2 3 9415 4130 (callers outside Australia) between 8.30 am and 5.00 pm (Sydney time) during business hours if you have any questions in relation to the Stapling Proposal.

Yours sincerely,



Garry Charny
Chairman - Centuria Capital Limited

Overview of the Stapling Proposal

An overview of the Stapling Proposal is set out below.

Topic	Summary
Who is the issuer of this Explanatory Memorandum?	Centuria Capital Limited.
What is a "stapled entity" and a "stapled group"?	<p>A "stapled entity" or "stapled group" refers to a type of investment structure that is typically comprised of two entities:</p> <ul style="list-style-type: none"> a unit trust, like the Centuria Capital Fund, which holds passive property investments and is treated as a flow-through trust for tax purposes and so does not pay tax itself on income to which investors are entitled; and a company which carries on an active business. <p>Units in the unit trust and shares in the company are "stapled" together and trade as one security on the ASX.</p> <p>A stapled structure generally allows distributions from underlying passive property fund investments held by the stapled unit trust to be directly distributed to securityholders. The stapled company is taxed at the usual company tax rate of 30%.</p> <p>Stapled structures are commonly used by listed property funds management businesses.</p>
What is the Stapling Proposal?	<p>Under the Stapling Proposal, a new stapled group will be created, consisting of the existing company Centuria and the recently established Centuria Capital Fund (all the units of which (Centuria Units) are currently owned by Centuria).</p> <p>The Stapling Proposal has three elements:</p> <ul style="list-style-type: none"> the Centuria Unit Distribution - Centuria will distribute the Centuria Units to the Centuria Shareholders - no payment is required by Centuria Shareholders and all Centuria Shareholders will receive one Centuria Unit for each Centuria Share they hold; the Stapling - Centuria Units will be stapled to Centuria Shares so that they will trade on the ASX as Centuria Stapled Securities and as if they were one security; and

Topic	Summary
	<ul style="list-style-type: none"> the Internal Restructure - the Property Investments of Centuria will be transferred to the Centuria Capital Fund - the Centuria Shareholders will continue to have an interest in the Property Investments but through the stapled structure.
<p>What are the advantages of the Stapling Proposal?</p>	<p>The key benefits of the Stapling Proposal are described in Section 4 of this Explanatory Memorandum.</p> <p>Most importantly, Centuria's vision is to fully diversify its property division across all the parts of the property investment market and all parts of the property investment cycle: acquisition, value-add management, re-development and active funds and property management activities.</p> <p>One of Centuria's key strategies to achieve that vision is to increase its co-investment in Centuria managed property funds and so increase its recurring earnings and build on its integrated business model.</p> <p>The Centuria Directors believe that the Stapling Proposal will be an important step in achieving Centuria's vision by providing a more efficient structure to undertake its property investment activities.</p> <p>The stapled structure will also bring Centuria Group's structure into line with other listed property fund managers, providing a more transparent benchmarking of performance and the potential for the Centuria Stapled Securities to be re-rated.</p> <p>Conversely, the Stapling Proposal does not create any additional risks for Centuria Shareholders. The general business risks of an investment in the Centuria Group will remain the same before and after the Stapling Proposal is implemented. Please refer to Section 7 for the material risks for Centuria's existing business.</p>
<p>What are the disadvantages of the Stapling Proposal?</p>	<p>There is a potential disadvantage with the Stapling Proposal for Centuria Shareholders who hold Centuria Shares that have a cost base of less than \$0.68 per Centuria Share. The issue of the Centuria Unit will trigger a CGT event for CGT purposes and, subject to any discount applicable under the CGT discount rules, CGT will be payable on the amount by which their Centuria Shares have a cost base of less than \$0.68. Based on the historical trading price of Centuria Shares the Centuria Directors believe that this is likely to affect a small number of Centuria Shareholders.</p>

Topic	Summary
	<p>The Stapling Proposal will also result in an increase in annual listing fees and compliance costs but the Centuria Directors consider that the significant benefits provided by the Stapling Proposal outweigh those costs.</p> <p>In addition there are one-off adviser costs in implementing the Stapling Proposal. These are estimated to be \$250,000. These costs will be paid for out of Centuria's cash reserves.</p>
<p>Are there any alternatives to the Stapling Proposal?</p>	<p>The alternative to the Stapling Proposal is to make no change to the existing Centuria company structure and for Centuria to continue to hold its property investments through a company structure.</p> <p>For the following reasons the Centuria Directors believe that this alternative is not attractive:</p> <ul style="list-style-type: none"> • there are numerous significant commercial benefits in implementing the Stapling Proposal (see Section 4); and • conversely the disadvantages are few and considered small (see Section 5). <p>In a highly competitive market place where industry players are competing to grow funds under management, the Centuria Directors consider that continuing with the current company structure may put Centuria at a competitive disadvantage.</p>
<p>What will the Centuria Capital Group look like if the Stapling Proposal proceeds?</p>	<p>The Stapling Proposal will not change the existing Centuria funds management, active asset management and investment bonds business.</p> <p>However, it will mean that the Property Investments of Centuria will be held through the Centuria Capital Fund rather than through the Centuria company structure.</p> <p>Structure diagrams for the Centuria Group before and after the Stapling Proposal are set out in Section 2.</p>

Topic	Summary
<p>How will I receive Centuria Units?</p>	<p>All of the Centuria Units on issue in the Centuria Capital Fund are currently owned by Centuria.</p> <p>Under the Stapling Proposal each Centuria Shareholder will receive one Centuria Unit for each Centuria Share they hold. The Centuria Units will be distributed by Centuria pursuant to the Centuria Unit Distribution. Each Centuria Unit will then be stapled to a Centuria Share.</p> <p>Centuria Shareholders do not need to make any payment for the Centuria Units that will be transferred to them.</p> <p>Holding statements for the Centuria Stapled Securities will be issued to securityholders following implementation of the Stapling Proposal.</p>
<p>What is the Capital Reduction?</p>	<p>The distribution of assets by a company to its shareholders is regulated by the <i>Corporations Act</i> (Cth) 2001.</p> <p>Such a distribution is referred to as a "capital reduction" as the value of the company is reduced by the value of the assets distributed by the company.</p> <p>The Capital Reduction is an "equal reduction" of capital as it applies to each Centuria Shareholder in proportion to the number of Centuria Shares that they hold and the terms of the reduction are the same for all Centuria Shareholders.</p>
<p>What approvals are required?</p>	<p>The implementation of the Stapling Proposal is dependent upon approval by two ordinary resolutions and a special resolution of Centuria Shareholders at the Extraordinary General Meeting to be held at 10:00 am (Sydney time) on 27 September 2016 (EGM).</p> <p>The Centuria Directors unanimously recommend that Centuria Shareholders vote in favour of all of the Resolutions and support the Stapling Proposal.</p> <p>The admission of the Centuria Capital Fund to the Official List and quotation of the Centuria Stapled Securities is subject to approval by the ASX.</p> <p>See the Notice of Meeting for the text of the Resolutions being proposed at the EGM.</p> <p>The Stapling Proposal is also subject to Centuria receiving a Class Ruling from the Australian Taxation Office (ATO) confirming</p>

Topic	Summary
	<p>certain taxation implications for Centuria Shareholders (see below "What are the tax implications of the Stapling Proposal?").</p>
<p>How do I vote?</p>	<p>Centuria Shareholders can vote by:</p> <ul style="list-style-type: none"> • Attending the EGM; or • Completing and returning the Proxy Form included with this Explanatory Memorandum: <p>By mail or in person to:</p> <p>Computershare Investor Services Pty Limited: GPO Box 242 Melbourne Victoria 3001 (a reply paid envelope is enclosed) Or Yarra Falls, 452 Johnston Street, Abbotsford Victoria 3067</p> <p>By facsimile to:</p> <p>1800 783 447 (within Australia) (+61 3) 9473 2555 (outside Australia)</p> <p>Online at:</p> <p>www.investorvote.com.au To use this facility please follow the instructions on your enclosed Proxy Form.</p> <p>Online for Intermediary Online Users only at:</p> <p>www.intermediaryonline.com</p> <p>so as to be received before 10.00 am (Sydney time) on 25 September 2016.</p>
<p>What are the tax implications of the Stapling Proposal?</p>	<p>Ernst & Young has provided a general summary of the Australian tax implications for Centuria Shareholders regarding the Stapling Proposal in Section 9.</p> <p>Centuria is also seeking a Class Ruling from the ATO confirming certain taxation implications for Centuria Shareholders, including confirmation that the distribution of Centuria Units in the Centuria Capital Fund should be treated as a return of capital for tax purposes.</p>

Topic	Summary
<p>Is there a cooling-off period?</p>	<p>There is no cooling-off period for Centuria Shareholders.</p> <p>If the Stapling Proposal proceeds, all Centuria Shareholders will receive Centuria Units regardless of whether they voted on the Stapling Proposal and if they did vote, regardless of whether they voted for or against the Stapling Proposal.</p>

1. Introduction

1.1 This Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of the holders (**Centuria Shareholders**) of shares (**Centuria Shares**) in Centuria Capital Limited (**Centuria**) in connection with an Extraordinary General Meeting (**EGM**) to be held on 27 September 2016 at 10.00 am (Sydney time).

This Explanatory Memorandum should be read in conjunction with, and forms part of, the Notice of Meeting in Section 16. The purpose of this Explanatory Memorandum is to provide information to Centuria Shareholders in deciding whether or not to support the Stapling Proposal and to approve the Resolutions referred to in the Notice of Meeting.

Capitalised terms and abbreviations used in this Explanatory Memorandum are defined in the Glossary in Section 15.

A personalised Proxy Form accompanies this Explanatory Memorandum.

1.2 Overview

Under the Stapling Proposal, a new stapled group will be created, consisting of the existing company Centuria and the new Centuria Capital Fund (in which all the units are currently owned by Centuria).

The **Stapling Proposal** has three elements:

- the **Centuria Unit Distribution** - Centuria will distribute the Centuria Units to the Centuria Shareholders - no payment is required by Centuria Shareholders and all Centuria Shareholders will receive one Centuria Unit for each Centuria Share they hold;
- the **Stapling** - each Centuria Unit will be stapled to a Centuria Share so that they will trade on the ASX as Centuria Stapled Securities and as if they were one security (and neither the Centuria Unit nor the Centuria Share can trade separately); and
- the **Internal Restructure** - the Property Investments of Centuria will be transferred to the Centuria Capital Fund - the Centuria Shareholders will continue to have an interest in the Property Investments but through a stapled structure.

1.3 Stapled structures

The Stapling Proposal will bring the structure of the Centuria Group into line with market practice.

Typically listed property funds managers that own interests in property (directly or through a fund) and also conduct a business, do so through a stapled structure.

Passive property investments (the Property Investments) will be held by a unit trust (the Centuria Capital Fund), which should be treated as a flow-through entity for tax purposes (on the basis it is not a public trading trust) and the Centuria Units in it will be stapled to Centuria Shares. Centuria will continue to undertake the active business of the Centuria Group.

1.4 **Summary of advantages of the Stapling Proposal**

The key benefits of the Stapling Proposal include that the Stapling Proposal:

- **is consistent with Centuria's vision** of fully diversifying its property division across all the parts of the property investment market and all parts of the property investment cycle: acquisition, value-add management, re-development and active funds and property management activities;
- **will facilitate Centuria's plans to increase its co-investment** alongside its investors in Centuria managed property funds and to increase its recurring revenue as a proportion of its total earnings; and
- **will bring Centuria Group's structure into line** with other listed property fund managers, providing a more transparent benchmarking of performance and the potential for the Centuria Stapled Securities to be re-rated.

For more detail see Section 4.

1.5 **Summary of disadvantages of the Stapling Proposal**

The key disadvantages of the Stapling Proposal include:

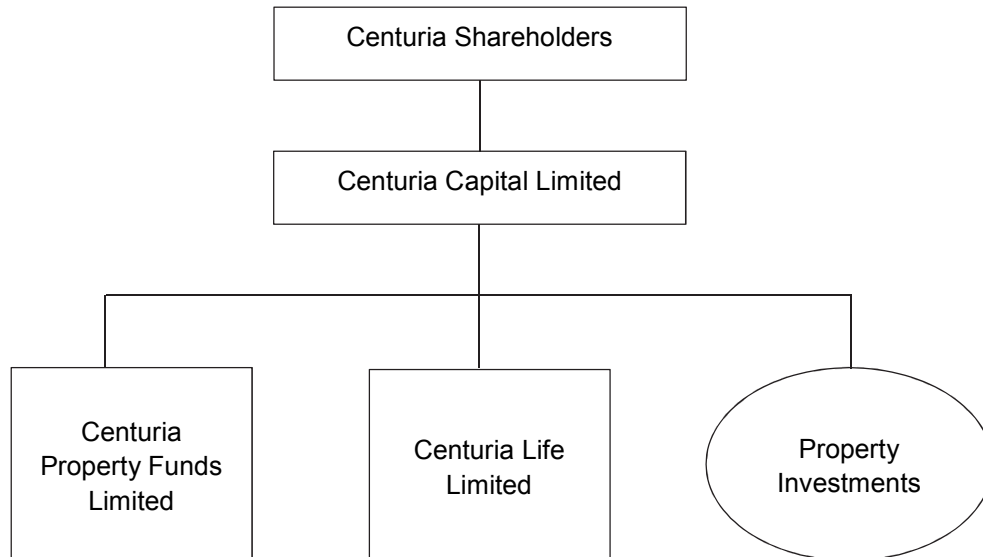
- the potential liability to pay CGT for those Centuria Shareholders whose Centuria Shares have a cost base of less than \$0.68;
- one-off adviser costs in implementing the Stapling Proposal, which are estimated to be \$250,000 (\$150,000 of these costs have already been incurred); and
- increased compliance and listing fees and costs although the Centuria Directors consider that the significant benefits provided by the Stapling Proposal outweigh the disadvantages of those fees and costs.

For more detail see Section 5.

2. Centuria Group structure diagrams

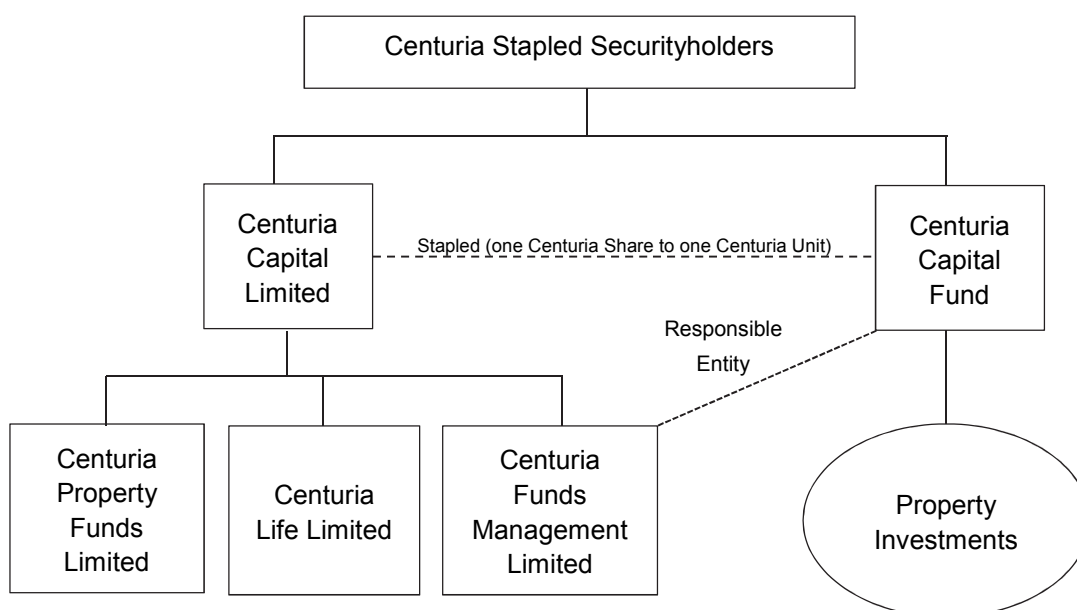
A diagram of the current structure of the Centuria Group is set out in summary form below:

CURRENT STRUCTURE



The proposed structure for the Centuria Capital Group after the Stapling Proposal has been implemented is set out in summary form below:

PROPOSED STAPLED STRUCTURE



3. Implementation of the Stapling Proposal

3.1 Elements of the Stapling Proposal

Under the Stapling Proposal, a new stapled group (Centuria Capital Group) will be created, consisting of the existing company (Centuria) and a new unit trust (the Centuria Capital Fund) in which all the units (Centuria Units) are currently owned by Centuria.

The Centuria Capital Fund has issued to Centuria in total 77,194,733 Centuria Units which is equal to the total number of Centuria Shares on issue, in return for the issue of a Promissory Note under which Centuria agrees to pay the Centuria Capital Fund approximately \$52.5 million by way of subscription for the Centuria Units. Accordingly, currently all the Centuria Units are held by Centuria.

The **Stapling Proposal** has three elements:

- the **Centuria Unit Distribution** - Centuria will distribute the Centuria Units to the Centuria Shareholders on a 1:1 basis (that is, one Centuria Unit for each Centuria Share held) - no payment is required by Centuria Shareholders and all Centuria Shareholders will receive their pro rata entitlement to Centuria Units;
- the **Stapling** - CFML will apply for the Centuria Capital Fund to be admitted to the Official List of the ASX and for the Centuria Units (as part of the Centuria Stapled Securities) to be quoted on ASX's security market so that Centuria Stapled Securities will trade as if they were one security; and
- the **Internal Restructure** - the Property Investments of Centuria will be transferred to the Centuria Capital Fund for their market value - the Centuria Shareholders will continue to have an interest in the Property Investments through a more efficient structure. The purchase price for the Property Investments will be set-off against the Promissory Note.

3.2 Centuria Unit Distribution and proposed return of capital

Centuria proposes to transfer to each registered holder of Centuria Shares, one Centuria Unit for every one Centuria Share held by the holder on the Record Date. The transfer will be effected by the Centuria Unit Distribution and once approved by Centuria Shareholders does not require any individual Centuria Shareholders to take any action in order for them to receive their distribution of Centuria Units.

If the Stapling Proposal is approved, all Centuria Shareholders will receive Centuria Units on a 1:1 basis (that is one Centuria Unit for each Centuria Share held).

The Centuria Units to be distributed are valued at approximately \$52.5 million (based on the book value of the Property Investments). The net economic impact of the Stapling on the value of an investment by a Centuria Shareholder will be

neutral (note the specific tax implications (see Section 9)). This is because although Centuria Shareholders will receive a Centuria Unit, the value of the Centuria Unit will cause a corresponding reduction in the value of a Centuria Share.

It is currently intended that the record date for determining entitlements to receive the Centuria Units pursuant to the Centuria Unit Distribution will be 5:00 pm on 14 October 2016. Any changes to the timetable for the Stapling Proposal will be announced to the ASX.

3.3 The Internal Restructure and the Property Investments

After the stapling of the Centuria Units and the Centuria Shares, the Internal Restructure will occur by Centuria transferring its Property Investments to the Centuria Capital Fund.

The Property Investments as at the date of this Explanatory Memorandum are as follows:

Fund in which investment is held	Approximate market value
Centuria Metropolitan REIT* (ASX listed)	\$5,803,475
GPT Metro Office Fund (ASX listed)	\$40,489,400
Centuria Diversified Fund*	\$620,000
Centuria 19 Corporate Drive Fund*	\$87,920
Centuria ATP Fund*	\$535,000
Centuria Zenith Fund*	\$5,000,000
Total value:	\$52,535,795

* Fund managed by CPFL.

3.4 Existing and proposed capital structure

Currently there are:

- 77,194,733 Centuria Units on issue in the Centuria Capital Fund (all of which are held by Centuria); and
- 77,194,733 Centuria Shares on issue in Centuria.

Neither Centuria nor Centuria Capital Fund has on issue any other types of equity or debt securities, other than the Executive Performance Rights held by certain Centuria executives as referred to in Section 12.6.

See Section 13.3 for a summary of the rights and liabilities attaching to the Centuria Units.

3.5 Centuria Shareholder approval

For the Stapling Proposal to proceed, Centuria Shareholders must approve at the EGM:

- by special resolution, the amendments to the Company Constitution to incorporate the Stapling Provisions and to facilitate the Stapling Proposal;
- by ordinary resolution, the Centuria Unit Distribution and Capital Reduction (which is treated legally as a return of capital to Centuria Shareholders); and
- by ordinary resolution, the Stapling Proposal generally, as well as for the Stapling Deed and transfer of the Property Investments specifically.

3.6 ASX approval

The admission of the Centuria Capital Fund to the Official List and quotation of the Centuria Units is subject to approval by the ASX.

CFML will apply to the ASX for the admission of the Centuria Capital Fund to the Official List and for quotation of the Centuria Units (as part of the Centuria Stapled Securities) within one week of the date of this Explanatory Memorandum. If ASX does not grant the applications, the Stapling Proposal will not proceed.

ASX reserves the right to remove one or more entities with stapled securities from the Official List if any of their securities cease to be stapled together, or any equity securities are issued by one entity which are not stapled to equivalent securities in the other entity or entities.

3.7 Centuria Unit Distribution

The Centuria Unit Distribution will be made to Centuria Shareholders on a pro rata (1:1) basis by way of an equal capital reduction under section 256C of the Corporations Act.

Centuria Shareholders will not be required to pay any consideration for the Centuria Units, as Centuria will make an appropriate Capital Reduction to reflect the distribution. As a result of the return of capital, Centuria's paid-up share capital (contributed equity) will be reduced by approximately \$52.5 million.

The terms of the Centuria Unit Distribution are the same for each Centuria Shareholder. The date for determining which Centuria Shareholders are entitled to participate in the return of capital is the Record Date.

The Centuria Board retains a discretion on whether to proceed with the proposed Stapling Proposal. If Centuria Shareholders pass the Resolutions, the Centuria Board may resolve not to proceed should market conditions or other factors

impacting on the Stapling Proposal cause the Directors to believe that proceeding with the Stapling Proposal would not be in the best interests of the Centuria Shareholders.

On completion of the Stapling Proposal, Centuria Shareholders will hold Centuria Stapled Securities, each comprising of one Centuria Share and one Centuria Unit. These two securities will be quoted and traded together as a Stapled Security on the ASX under the name of Centuria Capital Group.

3.8 Resolutions

The Notice of Meeting proposes the following resolutions:

RESOLUTION 1: AMENDMENT TO COMPANY CONSTITUTION

As a special resolution:

"That, subject to the passing of Resolution 2 and Resolution 3, the constitution of the Company be amended in the manner described in the Explanatory Memorandum accompanying the notice convening this meeting and as marked up in the constitution submitted to the meeting, marked "Stapling Amendments" (and signed by the Chairman of the meeting for the purpose of identification) with effect on and from the Effective Date (as defined in the notice convening this meeting)."

For the purposes of Resolution 1, the 'Effective Date' means the date on which the Company declares by an announcement to ASX Limited that the Stapling Proposal is to be implemented, being the date on which the Centuria Shares become stapled to the Centuria Units.

RESOLUTION 2: CAPITAL REDUCTION

As an ordinary resolution:

"That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth), and for all other purposes, approval is given for the capital of the Company to be reduced by the Company distributing to each registered holder of fully paid ordinary shares in the Company as at 7.00pm on 30 September 2016 (or such other time and date which the Company declares by an announcement to ASX Limited to be the record date) one unit in the Centuria Capital Fund for each fully paid ordinary share in the Company held by the holder."

RESOLUTION 3: STAPLING PROPOSAL, PROPERTY INVESTMENTS TRANSFER AND STAPLING DEED

As an ordinary resolution:

"That for all purposes approval is given to the Stapling Proposal (as defined in the Explanatory Memorandum accompanying the notice convening this meeting), the acquisition by Centuria Funds Management Limited as responsible entity of the Centuria Capital Fund ARSN 613 856 358 of the Property Investments (as defined in the Explanatory

Memorandum) and the entry into of the Stapling Deed (as described in the Explanatory Memorandum and signed by the Chairman of the meeting for the purpose of identification)."

4. What are the advantages of the Stapling Proposal?

4.1 Overview

The key benefits of the Stapling Proposal include that the Stapling Proposal:

- **is consistent with Centuria's vision** of fully diversifying its property division across all the parts of the property investment market and all parts of the property investment cycle: acquisition, value-add management, re-development and active funds and property management activities;
- **will facilitate Centuria's plans to increase its co-investment** alongside its investors in Centuria managed property funds and to increase its recurring revenue as a proportion of its total earnings; and
- **will bring Centuria Group's structure into line** with other listed property fund managers, providing a more transparent benchmarking of performance and the potential for the Centuria Stapled Securities to be re-rated.

4.2 Centuria's vision: full diversification of core business activities

Centuria's vision is for its property division to become fully diversified across all parts of the property investment cycle: acquisition, value-add management, re-development and active funds and property management activities.

Greater diversification has the potential to reduce the Centuria Group's exposure to factors affecting its management and performance fee income.

The Stapling Proposal will also provide the Centuria Capital Group with the capacity to extract further synergies from its integrated business model. For example, the Centuria Capital Group's development capabilities may provide opportunities to add value to assets held in the Centuria Capital Fund.

4.3 Strategy to increase recurring earnings

Centuria's earnings stream is currently largely dependent on earning management and performance fees in relation to its property funds business.

One of Centuria's key strategies to achieve its vision is to increase its co-investments in property funds managed by Centuria entities.

Over time Centuria will seek, through the Centuria Capital Fund, to increase the level of co-investment in Centuria managed property funds.

The expansion of Centuria's co-investments in property funds managed by Centuria companies is a means of expanding Centuria's earnings base and to increase the proportion of recurring earnings compared to the total earnings for the Centuria Capital Group.

The long term ownership of property assets will underpin the generation of recurring income for the Centuria Group and to profit from direct property ownership.

4.4 Bringing the Centuria Group company structure into line with market practice

The Stapling Proposal will bring the Centuria Capital Group's company structure into line with market practice.

Typically listed property fund managers that own interests in property (directly or indirectly through a fund) adopt a stapled structure. Passive investments are held by a unit trust (the Centuria Capital Fund) and active business are owned and conducted by a company (Centuria).

Units in the unit trust and shares in the company are stapled and trade as one security on the ASX.

Apart from the other benefits of the Stapling Proposal, the stapled structure will provide more transparent benchmarking of performance against similarly structured listed property funds management businesses and creates the potential for the Centuria Stapled Securities to be re-rated.

5. What are the disadvantages of the Stapling Proposal?

5.1 CGT considerations

There is a potential disadvantage with the Stapling Proposal for Centuria Shareholders who hold Centuria Shares that have a cost base of less than \$0.68 per Centuria Share.

The issue of the Centuria Unit will trigger a CGT event for CGT purposes and, subject to any discount applicable under the CGT discount rules, CGT will be payable on the amount by which their Centuria Shares have a cost base of less than \$0.68. Based on the historical trading price of Centuria Shares the Centuria Directors believe that this is likely to affect a small number of Centuria Shareholders.

5.2 Increase in annual fees

The Stapling Proposal will also result in an increase in annual listing fees and compliance costs of approximately \$100,000 per annum.

The Centuria Directors consider that the significant benefits provided by the Stapling Proposal outweigh those costs.

5.3 One-off costs

In addition there are one-off adviser costs in implementing the Stapling Proposal. These are estimated to be \$250,000, of which approximately \$150,000 has already been incurred. These costs will be paid for out of Centuria's cash reserves.

6. Directors' recommendation

6.1 Centuria Directors' recommendation and intentions

The Centuria Directors unanimously recommend that Centuria Shareholders vote in favour of all of the Resolutions and that they support the Stapling Proposal.

The Centuria Directors will be voting the Centuria Shares they own or control in favour of the Stapling Proposal.

6.2 Centuria Directors' reasons for recommending the Stapling Proposal

The Centuria Directors believe that there are numerous significant benefits in implementing the Stapling Proposal (see Section 4).

In a highly competitive market place where industry players are competing to grow funds under management, the Centuria Directors consider that continuing with the current company structure may put Centuria at a competitive disadvantage.

Conversely they consider that the disadvantages are few and relatively small compared to the advantages in undertaking the Stapling Proposal (see Section 5).

Accordingly, the Centuria Directors recommend you vote in favour of the Resolutions so that Centuria can realise the advantages of the Stapling Proposal provided in Section 4.

7. Material business risks facing the Centuria Capital Fund

7.1 The Centuria Capital Fund is part of the Centuria Capital Group

As a specialist investment manager focused on property funds management and tax-effective investment bonds, there are various risks that could impact the Centuria Capital Group's strategy and performance.

This Section focuses on the important business risks that could impact on the value of the Property Investments (including investments in both the listed and unlisted funds), which will be held by the Centuria Capital Fund assuming that the Stapling Proposal is approved and proceeds as intended.

It should be noted that Centuria Shareholders are already exposed to these risks given that the Property Investments are currently held by Centuria.

7.2 Risks facing the Centuria Capital Fund

Assuming that the Stapling Proposal is approved by Centuria Shareholders and implemented, it is intended that the Property Investments will be acquired by the Centuria Capital Fund pursuant to the Internal Restructure. The Property Investments consist of investments in listed and unlisted property funds (see Section 3.3).

Following the successful implementation of the Stapling Proposal it is envisaged that additional investments will be made by the Centuria Capital Fund in property funds (usually in funds managed by Centuria entities).

The Property Investments include investments in unlisted property funds which are currently invested in high-value commercial property as well as a residential development fund. Returns from these funds will be affected by:

- The general property cycle - which may influence decisions to acquire and dispose of assets as well as the availability of assets in the market.
- Level of interest rates - an increase in interest rates may reduce investor demand for property investments.
- Market volatility - volatility in equity or debt markets and gross domestic growth (domestically or internationally) may have a material adverse effect on leasing, investment demand and finance costs.
- Lack of liquidity - interests in the funds can typically only be realised on the termination and wind-up of the fund, which may not be at the optimal time to realise value from the investment. Capital invested is committed for the life of the fund.
- Decline in property valuations - a reduction in the value of direct property investments or property funds can be driven by changes in investment demand for commercial property and/ or changes to property income.

- Operational performance - an inability to lease assets in line with forecasts and investments that do not perform in line with forecasts will result in lower investment performance than targeted.

The Property Investments also include investments in listed property funds. General risks affecting such funds are similar to those facing unlisted property funds mentioned above, as well as an increased exposure to equity market risk and volatility.

Investors are encouraged to review the annual and half-yearly financial reports released by Centuria and available on Centuria's website for more detailed information on the Property Investments. In addition, the Centuria website provides useful information to investors on the profiles of discrete properties and assets invested in by the listed and unlisted funds.

8. Financial information

8.1 Centuria Statement of Assets and Liabilities (before implementation of the Stapling Proposal)

The Statement of Assets and Liabilities below:

- (a) has been prepared based on the audited balance sheet of Centuria as at 30 June 2016; and
- (b) is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an audited balance sheet included in an annual report prepared in accordance with the Australian Accounting Standards and the Corporations Act.

Before implementation of the Stapling Proposal:

	Audited 30 June 2016 (\$m)	Proforma adjustments (\$m)	Proforma 30 June 2016 (\$m)
Cash and cash equivalents	13.2		13.2
Financial assets at fair value	47.2	5.3	52.5
Intangible assets	53.0		53.0
Property held for development	35.7		35.7
Reverse mortgages at fair value	43.8		43.8
Assets in respect of Benefit Funds	353.5		353.5
Liabilities in respect of Benefit Funds	(353.5)		(353.5)
Borrowings	(60.0)		(60.0)
Net working capital	(5.0)	(5.3)	(10.3)
Minority interests	(9.9)		(9.9)
Net assets attributable to Centuria Shareholders	118.0	-	118.0
Net Asset Value per Centuria Share	1.53	-	1.53
Net Tangible Assets per Centuria Share	0.84	-	0.84

8.2 Centuria Statement of Assets and Liabilities (post-implementation of the Stapling Proposal)

The Statement of Assets and Liabilities below:

- (a) is a pro forma statement and has been prepared by applying the relevant pro forma adjustments included in Section 8.1 to the consolidated audited balance sheet of Centuria as at 30 June 2016;
- (b) reflects the position as if the Stapling Proposal (including the Centuria Unit Distribution and Internal Restructure) had been completed on 30 June 2016;

- (c) is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an annual report prepared in accordance with the Australian Accounting Standards and the Corporations Act;
- (d) shows that the only accounting item which would have been affected by the Stapling Proposal is financial assets at fair value; and
- (e) depicts which of the Centuria entities would hold the assets and liabilities of Centuria Capital Group assuming that the Stapling Proposal had been implemented as at 30 June 2016.

The Centuria Board believes that the Centuria Capital Group has enough working capital to carry out its stated objectives.

After implementation of the Stapling Proposal:

	Centuria Capital Limited (\$m)	Centuria Capital Fund (\$m)	Centuria Capital Group (\$m)
Cash and cash equivalents	13.2		13.2
Financial assets at fair value		52.5	52.5
Intangible assets	53.0		53.0
Property held for development	35.7		35.7
Reverse mortgages at fair value	43.8		43.8
Assets in respect of Benefit Funds	353.5		353.5
Liabilities in respect of Benefit Funds	(353.5)		(353.5)
Borrowings	(60.0)		(60.0)
Net working capital	(10.3)		(10.3)
Minority interest	(9.9)		(9.9)
Net assets attributable to securityholders of Centuria	65.5	52.5	118.0
Net Asset Value per Centuria Stapled Security	0.85	0.68	1.53
Net Tangible Assets per Centuria Stapled Security	0.16	0.68	0.84
% NTA split between Centuria and Centuria Capital Fund	19%	81%	100%

8.3 Distributions

Subject to available profits and board approval, Centuria Stapled Securityholders will receive a combined distribution out of the Centuria Capital Fund and dividends out of Centuria.

The CFML Board currently expects that approximately 90 - 100% of the income received by the Centuria Capital Fund will be distributed to Centuria Stapled Securityholders. This may however change at any time.

The overall performance of Centuria Capital Fund and its ability to make distributions to Centuria Stapled Securityholders will depend upon the Centuria Capital Group successfully executing its strategy.

9. Tax considerations

9.1 General

The comments below provide a general outline of Australian tax issues for Australian tax resident Centuria Shareholders who hold their Centuria Shares on capital account for Australian income tax purposes.

The categories of Centuria Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their Centuria Shares on capital account.

This summary does not consider the consequences for foreign resident Centuria Shareholders holding more than 10% of the total number of Centuria Shares on issue, insurance companies, banks, Centuria Shareholders that hold their Centuria Shares on revenue account or carry on a business of trading in shares, Centuria Shareholders who are exempt from Australian tax, or Centuria Shareholders who are subject to the Taxation of Financial Arrangements rules contained in Division 230 of the *Income Tax Assessment Act 1997 (Cth)*.

The summary below is general in nature and is not exhaustive of all Australian tax consequences that could apply in all circumstances of any given Centuria Shareholder. The individual circumstances of each Centuria Shareholder may affect the taxation implications of the investment of the Centuria Shareholder.

It is recommended that all Centuria Shareholders consult their own independent tax advisers regarding the income tax (including capital gains tax), stamp duty and GST consequences of acquiring, owning and disposing of Centuria Shares and Centuria Stapled Securities, having regard to their specific circumstances.

The summary below is based on the relevant Australian tax law in force, established interpretations of that law and understanding of the practice of the relevant tax authority at the time of issue of this Explanatory Memorandum. The summary does not take into account the tax law of countries other than Australia.

Tax laws are complex and subject to ongoing change. The tax consequences discussed in these summaries do not take into account or anticipate any changes in law (by legislation or judicial decision) or any changes in the administrative practice or interpretation by the relevant authorities. If there is a change, including a change having retrospective effect, the income tax, stamp duty and GST consequences should be reconsidered by Centuria Shareholders in light of the changes. The precise implications of ownership or disposal of the Centuria Shares and Centuria Stapled Securities will depend upon each Centuria Shareholder's and Centuria Stapled Securityholder's specific circumstances.

9.2 Class ruling

Centuria is applying for a class ruling for the benefit of Centuria Shareholders. The class ruling requests confirmation from the ATO that the income tax treatment for Centuria Shareholders is as discussed below in Sections 9.3 and 9.7.

9.3 Centuria Unit Distribution

It is proposed that the Centuria Unit Distribution be treated as a return of capital for tax purposes. The return of capital to each Centuria Shareholder on each Centuria Share will be equal to the market value of the Centuria Unit received. Under the Class Ruling Centuria is seeking confirmation from the ATO that it will not treat any amount of the return of capital resulting from the Centuria Unit Distribution as a dividend.

A Centuria Shareholder's cost base for each of their Centuria Shares will be reduced by the lesser of that cost base or the return of capital on that Centuria Share.

If the value of the return of capital is greater than a Centuria Shareholder's cost base per Centuria Share, they should make a capital gain equal to the difference. The capital gain may be reduced by 50% for resident individuals and trusts and 33% for resident complying superannuation funds for Centuria Shares held for 12 months or longer before the date of the Centuria Unit Distribution. Any capital gain should be disregarded for foreign Centuria Shareholders holding less than 10% of the total Centuria Shares on issue. The first element of the cost base of a Centuria Unit received should be equal to the market value of that Centuria Unit (being the amount of the return of capital per Centuria Share of \$0.68).

9.4 GST

Receipt of Centuria Units by Centuria Shareholders should be financial supplies such that no GST should be payable in respect of these transactions. An Australian resident that is registered or required to be registered for GST seeking to claim input tax credits on related transaction costs should seek their own independent tax advice in this regard.

9.5 Stamp duty

No stamp duty should be payable by Centuria Shareholders upon receipt of the Centuria Units.

9.6 Stapling

No tax consequences should arise to Centuria Shareholders as a result of the stapling of each Centuria Share to a Centuria Unit.

For tax purposes, each Centuria Share and Centuria Unit comprising a Centuria Stapled Security should remain separate CGT assets.

9.7 Taxation implications of holding Centuria Stapled Securities

Centuria Stapled Securities should be treated as two separate assets for income tax purposes, being the Centuria Shares and the Centuria Units.

Dividends from Centuria Shares and trust distributions from Centuria Units should be treated separately for income tax purposes. Dividends from Centuria Shares will be required to be included in a Centuria Stapled Securityholder's assessable income in the income year in which the dividend is received.

To the extent that franking credits are attached to a dividend paid by Centuria, Centuria Stapled Securityholders should also include the franking credits in their assessable income (subject to satisfying certain "holding period rules"). Centuria Stapled Securityholders who include franking credits in their assessable income should be entitled to a corresponding tax offset against their tax payable for the relevant income year.

If the Centuria Capital Fund is treated as a "flow-through" trust for income tax purposes, the Centuria Stapled Securityholders should be subject to taxation on their share of the Centuria Capital Fund's net income (i.e. taxable income) each year provided they are presently entitled to the trust income.

Centuria Stapled Securityholders may receive distributions that exceed their share of Centuria Capital Fund's net income (i.e. taxable income). The excess distribution may constitute a "tax deferred distribution" arising due to differences between the accounting and tax treatment of various income and expense items within the Centuria Capital Fund.

If Centuria Stapled Securityholders receive a "tax deferred distribution", they should reduce the cost base of their Centuria Units by the amount of the "tax deferred distribution". Where the "tax deferred distribution" received by Centuria Stapled Securityholders exceeds the cost base of their Centuria Units, a capital gain should arise equal to the excess.

The capital gain may be reduced by 50% for resident individuals and trusts and 33% for resident complying superannuation funds for Centuria Units held for 12 months or longer before the date of the relevant CGT event. Any capital gain should be disregarded for foreign Centuria Stapled Securityholders holding less than 10% of the total Centuria Units on issue.

The Centuria Shares and the Centuria Units are separate assets for Capital Gains Tax (**CGT**) purposes. Accordingly, upon disposal of a Centuria Stapled Security it will be necessary for Centuria Stapled Securityholders to calculate the capital gain or capital loss arising on their Centuria Shares and Centuria Units.

10. Centuria Capital Fund and CFML

10.1 Information on the Centuria Capital Fund

The Centuria Capital Fund:

- was established on 20 July 2016 pursuant to the Fund Constitution executed by CFML;
- has been registered as a managed investment scheme under the Corporations Act;
- has as its responsible entity CFML;
- has issued 77,194,733 Centuria Units to Centuria in return for Centuria giving CFML (as responsible entity for the Centuria Capital Fund) the Promissory Note;
- currently has no liabilities and no assets other than the Promissory Note; and
- will, assuming the Stapling Proposal is approved and proceeds, acquire the Property Investments.

10.2 Information on CFML

CFML:

- was registered as a public company limited by shares under the Corporations Act on 20 July 2015;
- has issued capital of \$180,000 being 180,000 fully paid ordinary shares, which are registered in the name of, and beneficially owned by, Centuria;
- was granted an Australian financial services licence on 4 August 2016 authorising it to act as the responsible entity of the Centuria Capital Fund;
- has not carried on any business or entered into any transactions other than transactions as responsible entity for the Centuria Capital Fund;
- has assets of \$180,000 (which satisfies its capital adequacy requirements under its Australian financial services licence and is currently on deposit with a bank) and no liabilities;
- assuming the Stapling Proposal is approved and proceeds will:
 - follow the recommendations set by the ASX Corporate Governance Council to the same extent as Centuria;
 - have an audit committee; and

- be entitled under the Fund Constitution to be paid \$200,000 per annum in management fees which accrues on a daily basis and is payable within 5 Business Days of the end of each month; and
- is not itself admitted to the ASX's Official List and it is not proposed that it will become listed. Rather it is intended that the Centuria Capital Fund will be admitted to the Official List and Centuria Units will be stapled to Centuria Shares and quoted as Centuria Stapled Securities.

10.3 **Board of CFML**

The Board of CFML is presently comprised of the same directors as Centuria, namely:

Garry Charny - Non-Executive Chairman

Peter Done - Non-Executive Director

John Slater - Non-Executive Director

John McBain - Executive Director and Group CEO

Nicholas Collishaw - Executive Director

Jason Huljich - Executive Director

10.4 **Information about Centuria Units**

Full details of the rights attaching to the Centuria Units are set out in the Fund Constitution, a copy of which is available from Centuria upon request. A summary of the rights attached to the Centuria Units is set out in Section 13.3.

11. Fees and other costs

11.1 Consumer advisory warning

The Corporations Act requires CFML to include the following standard consumer advisory warning in a product disclosure statement offering Centuria Units for subscription. The information in the consumer advisory warning is standard across product disclosure statements and is not specific to the Centuria Capital Fund.

DID YOU KNOW?	TO FIND OUT MORE
<p>Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.</p> <p>For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).</p> <p>You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.</p> <p>Your employer may be able to negotiate to pay lower administration fees. Ask the fund or your financial adviser.</p>	<p>If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.</p>

11.2 Fees and other costs

The following table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Centuria Capital Fund as a whole. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Taxes are discussed in Section 9.

<i>Centuria Capital Fund</i>		
Type of fee or cost	Amount ¹	How and when paid
Fees when your money moves in or out of the managed investment product		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable
Management costs		
<i>The fees and costs for managing your investment</i>	CFML as responsible entity is entitled to be paid management fees of \$200,000 per annum, calculated and accruing on a daily basis CFML is indemnified and is entitled to be reimbursed out of the assets of the Centuria Capital Fund for all expenses incurred in relation to the proper performance of its duties or exercise of its powers (estimated as approximately \$100,000 per annum which is equal to 0.2% of the gross asset value at the date of the Centuria Unit Distribution)	Payable within five days of the end of month, out of the Centuria Capital Fund's income and assets Expenses are reimbursable to CFML from the Centuria Capital Fund's income and assets as and when incurred
Service fees		
<i>Switching fee</i> The fee for changing investment options	Nil	Not applicable

11.3 Example of annual fees and costs for the Centuria Capital Fund

The following table gives an example of how the fees and costs in the Centuria Capital Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products. All amounts are exclusive of GST.

¹ Including GST less any reduced input tax credit, as applicable.

Type of fee or cost	Amount	Balance of \$50,000 with a contribution of \$5,000 during the year
Contribution fees	Nil	For every additional \$5,000 you will be charged nil (by the Centuria Capital Group)
Plus Management costs	\$200,000 per annum irrespective of size of Centuria Capital Fund	The Management Fee is fixed, regardless of the size of the Centuria Capital Fund. Also note that as Centuria Units are stapled to Centuria Shares and that the recipient of the Management Fee will be CFML, a wholly-owned subsidiary of Centuria, the benefit of the Management Fee will be obtained by Centuria Stapled Securityholders.
Equals cost of the Centuria Capital Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 at the beginning of the year you would not be charged any additional fees or expenses for that year.

11.4 Additional explanation of fees and costs

Reimbursement of expenses

To the extent permitted by the Corporations Act, CFML is entitled to recover all costs and expenses it incurs in the proper performance of its duties as responsible entity of the Centuria Capital Fund, including in relation to the establishment, registration, operation, administration and management of the Centuria Capital Fund including:

- complying with any law, the ASX Listing Rules and any of the requirements of ASIC;
- the identification, acquisition, realisation, insurance, valuation, custody, management, supervision, repair, maintenance, receipt, collection or distribution of or other dealing with assets of the Centuria Capital Fund;
- obtaining and servicing of financial accommodation (including bank fees, interest, expenses, charges and borrowing costs);
- appointing or otherwise engaging any agent, delegate, advisory, developer, development manager, development advisory, real estate agent, marketing agent, administrator or other person (including an associate) for any purpose in connection with the Centuria Capital Fund;

- underwriting of any subscriptions for or purchase of Centuria Units including fees and indemnity amounts and amounts which may become payable because of a breach (except for negligence, fraud or breach of trust) of the underwriting contract by the responsible entity;
- keeping the financial records relating to the Centuria Capital Fund, and keeping, preparing, distributing and/or lodging the accounts relating to the Centuria Capital Fund and complying with any obligations with respect to the accounts relating to the Centuria Capital Fund and any audit of those accounts;
- the termination of the Centuria Capital Fund and winding up of the Centuria Capital Fund; and
- the implementation of any proposal or any restructuring or listing of the Centuria Capital Fund.

CFML estimates that it will incur costs of managing and administering the Centuria Capital Fund (exclusive of its management fee) of approximately \$100,000 per annum which is equal to 0.2% of the Centuria Capital Fund's gross asset value at the date of the Centuria Unit Distribution. This is an estimate only and the actual expenses incurred by CFML may differ.

CFML is entitled to recover all such expenses from the assets or income of the Centuria Capital Fund, including any amounts payable to a member of Centuria. Any amounts paid to members of the Centuria Group and/or Centuria Capital Group will be under arrangements that are on an arm's length basis where the fees are in accordance with market rates for the relevant services provided.

Taxes

For information in relation to the taxation implications associated with an investment in the Centuria Capital Fund please see Section 9.

Costs borne by the Centuria Capital Group

Centuria has paid or will pay approximately \$250,000 in estimated fees for advisers and consultants. Please refer to Section 13.7 for a breakdown of the costs paid to specific advisers and consultants up to the date of this Explanatory Memorandum.

These costs are one-off in nature and will be paid by Centuria from existing cash reserves.

Fee changes

The amounts charged to reimburse CFML for the costs of operating the Centuria Capital Fund may vary. For example, the allocation of human and other resources in the Centuria Capital Group will depend on whether asset opportunities are being pursued for the Centuria Capital Fund. CFML may charge more or less than the estimated operating expenses shown in the table in Section 11.2 but any such reallocation of the cost burden within the Centuria Capital

Group according to need will not affect the returns of Centuria Stapled Securityholders.

CFML may not increase the fees payable to it above the amounts set out in the Fund Constitution without a special resolution of holders of Centuria Stapled Securities first having varied the Fund Constitution. A special resolution requires 75% of the votes (by value) cast on the resolution being in favour of it.

12. Regulatory information

12.1 Overview of regulation of the Stapling Proposal

From a legal perspective, the Stapling Proposal is regulated as follows:

- Corporations Act:
 - the Centuria Capital Fund is a registered managed investment scheme and so will need to comply with the requirements for such schemes subject to any ASIC relief granted under the Corporations Act (see Section 12.2);
 - the Centuria Unit Distribution is a return of capital that will require approval by Centuria Shareholders by an ordinary resolution; and
 - the amendments of the Company Constitution will require approval by Centuria Shareholders by a special resolution;
- Listing Rules:
 - the admission of the Centuria Capital Fund to the Official List requires ASX approval particularly in relation to the listing conditions under the ASX Listing Rules subject to the ASX relief referred to in Section 12.5.

12.2 Regulation as a managed investment scheme and ASIC relief

As a registered managed investment scheme, CFML must ensure that the Centuria Capital Fund complies with the requirements of Chapter 5C of the Corporations Act.

To facilitate the Stapling Proposal, CFML has applied for and ASIC has granted or indicated it will grant, the following modifications to and exemptions from the operation of the Corporations Act as it applies to the Centuria Capital Group:

- Product Disclosure Statement relief (section 1012B) - relief from the requirement to prepare a Product Disclosure Statement in respect of the Centuria Unit Distribution;
- On-sale relief (section 1012C(6)) - relief from the requirement to prepare a Product Disclosure Statement in respect of the potential on-sale or transfer of Centuria Stapled Securities in the 12 months following the date of the Centuria Unit Distribution;
- Financial Services Guide relief (section 941A) - relief from the requirement to prepare a Financial Service Guide and give it to Centuria Shareholders who are retail clients;
- Licensing relief (section 911A) - relief for Centuria from the requirement to hold an Australian Financial Services Licence;

- Stapling relief (sections 601FC(1)(c), 601FC(1)(e), 601FD(1)(c), 601FD(1)(d), 601FD(1)(e) and 601FE(1)) - relief to enable CFML to consider the interests of Centuria Stapled Securityholders as a whole (rather than their interest solely as members of the Centuria Capital Fund); and
- Related party relief (section 601LC) - modification or exemption to allow CFML to provide financial benefits out of scheme property to Centuria and its subsidiaries while Stapling arrangements are in place.

12.3 Regulation of Centuria Unit Distribution and the Capital Reduction as a capital reduction

For legal purposes, the Centuria Unit Distribution and the Capital Reduction constitute a reduction of capital of Centuria by way of an in-specie distribution to Centuria Shareholders and is categorised as an equal reduction under the Corporations Act.

It is an equal reduction because it only relates to Centuria Shares, is applicable to each Centuria Shareholder in proportion to the number of Centuria Shares held and the terms of the reduction are the same for each Centuria Shareholder. An ordinary resolution is therefore necessary to approve the proposed equal reduction of capital, under section 256C of the Corporations Act.

In order for Centuria Shareholders to make an informed decision on whether to vote for or against the Centuria Unit Distribution, Centuria has provided in this Explanatory Memorandum all the information known to Centuria that is material to the decision of a Centuria Shareholder on how to vote on the Centuria Unit Distribution and to consider approving the Capital Reduction.

The Corporations Act also requires in section 256B that for the Centuria Unit Distribution and Capital Reduction to proceed it must also satisfy the following tests:

- it is fair and reasonable to the Centuria Shareholders as a whole; and
- it does not materially prejudice Centuria's ability to pay its creditors.

The Centuria Board considers that the proposed Centuria Unit Distribution and Capital Reduction:

- are fair and reasonable to Centuria Shareholders as a whole because they are all treated in the same manner given that the distribution of Centuria Units is on a pro rata basis; and
- will not materially prejudice Centuria's ability to pay its creditors.

In relation to ASX Listing Rule 7.2, Centuria confirms that there will be no change to the number of Centuria Shares on issue following the Centuria Unit Distribution and Capital Reduction. Centuria Shareholders will, however, receive by way of distribution under the Centuria Unit Distribution 77,194,733 Centuria Units (which is equal to the total number of Centuria Shares on issue).

There will be no fractional entitlements, as the Centuria Unit Distribution will be completed on a 1:1 basis.

There are no convertible securities or rights to be issued Centuria Shares other than the Executive Performance Rights (see Section 12.6).

12.4 Company Constitution amendments

In order for the Stapling Proposal to proceed, the Company Constitution must be amended to incorporate the Stapling Provisions which will facilitate the Centuria Unit Distribution and the stapling of Centuria Shares to Centuria Units.

Pursuant to the Corporations Act, the Company Constitution can be amended by a special resolution of Centuria Shareholders. A special resolution is passed if at least 75% of the votes cast by Centuria Shareholders present and eligible to vote are in favour of the resolution.

A copy of the Company Constitution marked up to show all of the proposed amendments is available free of charge from Centuria on request and a copy will be available at the EGM for Centuria Shareholders to inspect.

In summary those amendments provide as follows:

- Power to staple - Stapling commences on the date CFML and the Centuria Directors determine as being the date on which the Stapling becomes effective and Centuria announces the date on the ASX's announcement platform;
- Stapling ratio - While Stapling applies, ordinary shares are to be Stapled to the attached securities in the ratio of one ordinary share to one of each category of attached securities. In the Company Constitution, attached securities are defined as each unit, share or other security in a stapled entity to which an ordinary share in Centuria is attached;
- Stapling Provisions paramount - If there is any inconsistency between any provision of a constitution relating to Stapling and any other provision, the provision relating to Stapling prevails;
- Reasonable endeavours - Centuria must every reasonable endeavour to procure that if the stapled securities are and continue to be officially quoted by ASX as one joint security, the stapled securities are dealt with in a manner consistent with the provisions relating to stapled securities in the Fund Constitution;
- Cessation of Stapling - Stapling ceases when Centuria by written notice declares Stapling ceases to apply to some or all ordinary shares immediately or upon a specified date. It also ceases when: (i) Centuria is wound up; (ii) the attached securities cease for any reason to be transferable with ordinary shares; or (iii) the law prohibits Stapling. The Centuria Shareholders may by special resolution determine that Stapling ceases to apply to some or all ordinary shares;

- Allocation of issue price of a share in a stapled security - unless otherwise determined by Centuria and the stapled entities or the responsible entity of the stapled entities, the issue price must be allocated in proportion to the net assets (adjusted for the net market value of its investments) of Centuria and each other stapled entity at the relevant date;
- Conduct of stapled entities - to the maximum extent permitted by law, Centuria must cooperate with each stapled entity in everything relating to the stapling of the securities, including, for example: (i) compliance with ASX Listing Rules; (ii) disclosure; (iii) accounting, investment and valuation policies; (iv) meetings; (v) new issues and redemptions; (vi) distributions and re-investments; (vii) partly paid securities; and (viii) reporting;
- Dealings - there must be no dealing or disposition of any kind in relation to an ordinary share unless there is also an identical dealing or disposition by the same parties with each attached security in a stapled entity to which that ordinary share is Stapled;
- Offers of ordinary shares - Centuria must not offer ordinary shares for subscription or sale unless: (i) it also offers, or procures that offers are made of, at the same time and to the same person, the same number of attached security in each stapled entity for subscription or sale; and (ii) the offer is on condition that the offeree may not accept the offer unless the offeree also accepts the offer for attached securities in each stapled entity;
- Reorganisations - Centuria must not consolidate, subdivide, cancel or reorganise ordinary shares unless at the same time there is a corresponding consolidation, subdivision, cancellation or reorganisation of the attached securities in each other stapled entity;
- Issue price - a stapled security may be issued or redeemed for a price calculated by aggregating the price for the issue or redemption of an ordinary share in the particular circumstances fixed by the Company Constitution with the price for issue or redemption or buy back of an attached security in each stapled entity in those circumstances fixed by their constitutions. Alternatively, subject to the Corporations Act, Centuria may keep valuation records and financial records for the stapled entities as an economic entity and may use the net asset value of the economic entity to calculate the issue price or redemption price of a stapled security;
- Regard to interests of holders in stapled entities - in exercising its powers or discretions or performing its functions under the Company Constitution, Centuria may take into account the interests of holders of attached securities in stapled entities other than in Centuria and exercise its powers and discretions or perform its functions even though to do so would be for the benefit of those persons and not for the direct benefit of Centuria Shareholders;

- Indemnity and remuneration - if the responsible entity of a stapled entity is entitled to indemnity, to reimbursement or to payment of remuneration under the constitution of that stapled entity, Centuria may provide indemnity, reimbursement or payment to the responsible entity of that stapled entity out of Centuria's assets;
- Guarantees - Centuria may in connection with the Stapling or the relationship created by the Stapling give any guarantee or indemnity or become liable for the payment of money or the performance of any contract or other obligation by any person including any stapled entity or the responsible entity of any stapled entity;
- Modification - whilst Stapling applies, the consent of the stapled entities must be obtained to any modification to the Company Constitution which directly affects the terms on which ordinary shares are Stapled or removes any restriction on the transfer of an ordinary share if that restriction also exists for the attached securities unless that restriction is simultaneously removed for all attached securities; and
- Stapled Securities Register - the Centuria Directors must maintain or cause to be maintained a stapled security register of holders of ordinary shares which records the names of the shareholders, the number of ordinary shares held and the number of each category of attached securities held by the Centuria Shareholders to which each Centuria Shareholder's ordinary shares are stapled and any additional information required by the ASX Listing Rules or determined from time to time by the Centuria Directors. Centuria may issue holding statements jointly with the stapled entity or the responsible entity of each stapled entity.

In addition, the Company Constitution is being amended to specifically refer to the power of Centuria to sign transfers of securities to give effect to any in specie distribution by way of a reduction of capital or dividend.

12.5 **ASX Waivers and confirmations**

As a listed entity Centuria is, and upon being admitted to the Official List the Centuria Capital Fund will be, required to comply with the ASX Listing Rules in relation to the Stapling Proposal, subject to the following waivers granted by the ASX:

- ASX Listing Rule 1.4.2 - a waiver of the requirement for this Explanatory Memorandum to contain a statement that it contains all the information that would be required for inclusion under section 1013C of the Corporations Act;
- ASX Listing Rule 1.4.7 - a waiver of the requirement for this Explanatory Memorandum to contain a statement that Centuria has not raised any capital for the three months before the date of issue of this Explanatory Memorandum and will not need to raise any capital for three months after the date of issue of this Explanatory Memorandum; and

- ASX Listing Rule 10.14 - a waiver from the requirement to obtain the approval of Centuria Stapled Securityholders for the issue of Replacement Rights over Share Rights.

In connection with the application by CFML for the admission of the Centuria Capital Fund to the Official List of the ASX, CFML has received the following waivers and in-principle approvals from the ASX:

- ASX Listing Rule 1.1 Condition 3 - confirmation that this Explanatory Memorandum (subject to compliance with Listing Rule 1.4 (except as waived)) will be sufficient instead of a Product Disclosure Statement;
- ASX Listing Rule 1.1 Condition 7 - a waiver to the extent necessary to permit each participating Centuria Unitholder to hold a parcel of Centuria Units having a value of less than \$2,000 on condition that Centuria Shares are stapled to Centuria Units, so that the parcel of Centuria Stapled Securities has a value of at least \$2,000;
- ASX Listing Rule 1.1 Condition 8 - a waiver to the extent necessary to permit the new stapled group (i.e. the Centuria Capital Group) as a whole to comply with the assets test in Listing Rule 1.3 even though Centuria and the Centuria Capital Fund may not individually comply with the assets test as separate entities;
- ASX Listing Rule 1.1 Condition 17 - confirmation that the requirement to satisfy the ASX that each director or proposed director of CFML as at the date of listing is of good fame and character has been satisfied;
- ASX Listing Rule 2.1 Condition 2 - a waiver on the condition that a Centuria Stapled Security has a value of at least \$0.20;
- ASX Listing Rule 8.10 - a waiver to the extent necessary to permit CFML to refuse to register a transfer of a Centuria Unit if it is not accompanied by a transfer of a Centuria Share and vice versa; and
- ASX Listing Rule 10.1 - a waiver to the extent necessary to permit the transfer of substantial assets between and within the Centuria Capital Group on terms that are not arm's length and without the prior approval of Centuria Stapled Securityholders.

12.6 Executive Performance Rights

Centuria established the Centuria Capital Limited Executive Incentive Plan (**Plan**) in 2013 as part of its executive remuneration strategy. Centuria Shareholders approved the grant of Executive Performance Rights to Centuria's three Executive Directors for the years ending 30 June 2014, 30 June 2015 and 30 June 2016 as part of the long-term incentive component of their remuneration arrangements (**Share Rights**). The Share Rights were granted under the terms of the Plan. Each Share Right entitles the participant to be allocated one Centuria Share at no cost, subject to the satisfaction of vesting conditions and performance hurdles. The 2014 tranche of Share Rights have vested or lapsed.

Should the Stapling Proposal proceed, it is proposed that the Share Rights granted for the years ended 30 June 2015 and 30 June 2016 (3,178,642 Share Rights in aggregate) will be cancelled and replaced with an equivalent grant of 3,178,642 Replacement Rights (i.e., on a 1:1 basis). Each Replacement Right will entitle the participant to be allocated one Centuria Stapled Security, subject to the same vesting conditions and performance hurdles as the corresponding Share Right.

The number of Share Rights to be replaced with Replacement Rights are as follows:

Executive	2015 Tranche	2016 Tranche
John McBain*	481,102	481,102
Nicholas Collishaw*	300,000	300,000
Jason Huljich*	300,000	300,000
Other executives	309,825	706,614
Total	1,390,927	1,787,715

* Also a Centuria Director.

A number of amendments will be made to the Plan to allow for the grant of Replacement Rights in the form of rights to Centuria Stapled Securities.

The cancellation of the Share Rights and grant of Replacement Rights will occur within one month of the passing of the Resolutions approving the Stapling Proposal.

12.7 **Lodgement with ASIC**

Centuria has lodged with ASIC a copy of this Explanatory Memorandum and Notice of Meeting in accordance with section 256C(5) of the Corporations Act.

13. Additional information

13.1 The Stapling Deed

Centuria and CFML have entered into the Stapling Deed which provides that, from the Effective Date, Centuria and CFML as the responsible entity of the Centuria Capital Fund must cooperate in respect of the Stapling of the Centuria Shares to the Centuria Units. The Effective Date is the date on which the Company declares by an announcement to ASX Limited that the Stapling Proposal is to be implemented, being the date on which the Centuria Shares become Stapled to the Centuria Units.

Both the Stapling Deed and the constitutions of each of Centuria and the Centuria Capital Fund require that:

- a transfer of Centuria Shares or Centuria Units in either of the Centuria Entities can only be completed if it is accompanied by a transfer of an equal number of Centuria Units or Centuria Shares in the other Centuria Entity;
- any issue, repurchase or redemption of Centuria Shares or Centuria Units by a Centuria Entity will be matched by an issue, repurchase or redemption of an equal number of Centuria Units or Centuria Shares in the other Centuria Entity;
- the parties must co-ordinate their statutory disclosures, adopt consistent accounting and valuation policies, maintain the same auditor, maintain common directors, and agree on the timing and terms of new issues, bonus and rights issues, placements, redemption and buy-backs of Centuria Stapled Securities;
- while Stapling applies, the parties may, in exercising any power of discretion, have regard to the interests of Centuria Stapled Securityholders as a whole and not only to the interests of Centuria Shareholders or Centuria Unitholders (as the case may be) considered separately;
- while Stapling applies, each party may if called upon by the other party, procure that it and any of its controlled entities extend financial benefits to each other, including by way of lending money, giving guarantees or engaging in joint borrowing;
- the parties agree on what part of the amount payable for the issue, redemption or buy-back of (or option to subscribe for) a Centuria Stapled Security is to represent the price payable for the issue, redemption or buy-back (or option to subscribe) for each of the Centuria Units and Centuria Shares comprising the Centuria Stapled Security. Unless otherwise determined by CFML and Centuria, this is done on the basis of the relative net asset values of the Centuria Unit and Centuria Share components of the Centuria Stapled Security agreed between the parties

prior to the issue, redemption or buy-back or granting of the Centuria Stapled Security or option; and

- an investment in a Centuria Stapled Security will operate like an investment in a single coordinated entity and specifically:
 - Centuria Stapled Securities will trade together as one security on the ASX and will not be able to be traded or dealt with separately;
 - Centuria Stapled Securityholders will receive combined reports for the Centuria Capital Group; and
 - subject to a distribution being made, Centuria Stapled Securityholders will receive a combined distribution and dividend payment each half year.

13.2 Centuria is a disclosing entity

Centuria is a listed disclosing entity for the purposes of the Corporations Act and, therefore, it is subject to regular reporting and disclosure obligations.

Specifically, like all listed entities, Centuria is required to continuously disclose to the market any information of which it is aware that a reasonable person would expect to have a material effect on the price or the value of Centuria Shares.

Copies of documents lodged with ASIC in relation to Centuria (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an ASIC office.

Centuria will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:

- the most recent annual financial statements lodged with ASIC by Centuria for the year ended 30 June 2016;
- any half year financial report lodged with ASIC after the lodgement of the above annual report and before the date of the Explanatory Memorandum; and
- all continuous disclosure notices given by Centuria after the lodgement of its annual financial statements with ASIC for the year ended 30 June 2016.

Requests for free copies of these documents may be made by contacting the Stapling Proposal Information Line on 1300 641 605 (callers in Australia) or +61 3 9415 4130 (callers outside Australia) between 8.30 am and 5.00 pm (Sydney time) on Business Days.

In addition, copies of all documents lodged with the ASX in relation to Centuria can be inspected at the registered office of Centuria during normal business hours. Centuria's website at www.centuria.com.au also includes a wide range of

information on Centuria (including copies of the above documents) and its activities.

Upon admission to the Official List the Centuria Capital Fund will be a listed disclosing entity for the purposes of the Corporations Act and subject to regular reporting and disclosure obligations including the continuous disclosure obligations.

13.3 Rights and liabilities attaching to Centuria Units

The Centuria Units have been issued as fully paid and will rank equally for distributions and other rights from the date of issue.

Since the Centuria Units will be transferred to Centuria Shareholders pursuant to the Centuria Unit Distribution, no monetary liability attaches to them.

The rights and liabilities attaching to Centuria Units are determined by the Fund Constitution, applicable law and the Listing Rules. This Section contains a summary of the rights and liabilities attaching to Centuria Units under the Fund Constitution and the Corporations Act. In the absence of any amendment to the Fund Constitution or changes in applicable law or the Listing Rules, these rights and liabilities will attach to Centuria Units. This is not an exhaustive summary or definitive statement of the rights and liabilities attaching to Centuria Units.

The Centuria Capital Fund is a managed investment scheme registered with ASIC and the main rules governing its operation are set out in the Fund Constitution. The Corporations Act (subject to the relief given by ASIC as referred to in Section 12.2), the Listing Rules (subject to the waivers given by ASX as referred to in Section 12.5) and the general law of trusts are also relevant to the rights and obligations of CFML and Centuria Unitholders. The main provisions of the Fund Constitution that deal with the respective rights and obligations of Centuria Unitholders and CFML are summarised below.

Centuria Units

The beneficial interest in the Centuria Capital Fund is divided into a changeable number of units. Each Centuria Unit confers on its holder an undivided interest in the Centuria Capital Fund. It confers an interest in the Centuria Capital Fund's assets as a whole and not an interest in any particular asset.

Subject to the law and to the ASX Listing Rules, CFML may allot and issue unissued Centuria Units (including in different classes) to any person, on any terms (including as to fees) at any time and in any numbers and having attached thereto such preferred, deferred or other rights, restrictions and obligations as CFML thinks fit in its absolute discretion and further with power to classify or reclassify or designate or redesignate the same in any manner which CFML thinks fit (including into classes or into a different class). CFML may, in its absolute discretion, accept or reject all or part of an application for Centuria Units without giving any reason.

Issue price

The Fund Constitution contains provisions regarding the calculation of the issue price of Centuria Units and also has provisions relevant to Centuria Stapled Securities.

Generally while Centuria Stapled Securities are officially quoted, Centuria Units will be issued at an issue price as follows:

- in the case of a proportionate offer to Investors, subject to the Listing Rules and any applicable ASIC relief, CFML may issue Centuria Units at a price that is up to 50% less than the issue price otherwise determined;
- in the case of a reinvestment of distributions, CFML may issue Centuria Units at a price that is up to 50% less than the issue price otherwise determined;
- subject to the Corporations Act, the Listing Rules and any applicable ASIC instrument, CFML may issue Centuria Units at a price determined by CFML including determining the issue price by reference to a specified formula set out in a document other than in the Fund Constitution;
- subject to: (i) any rights, obligations and restrictions attaching to any particular Centuria Units; (ii) the clauses dealing with issue price above; and (iii) the stapling provisions dealing with the issue price, a Centuria Unit may be issued at a price determined by CFML provided the aggregate of the issue price of the Centuria Unit and the issue price of a unit, share or other security in each stapled entity to which that Centuria Unit is Stapled is equal to the market price for the Centuria Stapled Securities.

The issue price of a Centuria Stapled Security will be determined by:

- aggregating the price for the issue of a Centuria Unit in the particular circumstances fixed by the Fund Constitution with the price for the issue of a Centuria Share in the circumstances fixed by the Centuria Constitution; or
- alternatively, subject to the Corporations Act, CFML may keep valuation records and financial records for the stapled entities as an economic entity and may use the net asset value of the economic entity to calculate the issue price or redemption price of a stapled security instead of aggregating the values of units, shares or other securities comprising a stapled security.

Allocation of proceeds of issue

CFML may apply money received for the issue of Centuria Stapled Securities to the stapled entities in proportion to the net asset value of the Centuria Capital Fund assets and the net asset value of, or the value of the units, shares or other securities in the stapled entities worked out under their constitutions, or may apportion the receipts or payments between the stapled entities as CFML thinks fit.

Issue price of a Centuria Unit as part of a Centuria Stapled Security

The allocation of the issue price of a Centuria Stapled Security between the Centuria Unit and a share, unit or other security in each stapled entity will be determined as follows:

- (a) CFML and the stapled entity or the responsible entity of each other stapled entity may determine what part of the issue price of the Centuria Stapled Security is to be allocated to the Centuria Unit and to the unit, share or other security in each stapled entity; and
- (b) unless otherwise determined by CFML and the stapled entity or the responsible entity of the stapled entities, the issue price must be allocated in proportion to the net assets (adjusted for the net market value of its investments) of the Centuria Capital Fund and each other stapled entity at the relevant date.

Distributions

Subject to the rights attaching to any particular Centuria Unit, Centuria Unitholders are generally entitled to share in distributions out of the Centuria Capital Fund in proportion to the number of Centuria Units they hold.

CFML may allow Centuria Unitholders to reinvest some or all of any distribution to acquire Centuria Units.

CFML may at any time also distribute capital of the Centuria Capital Fund to Centuria Unitholders pro rata according to the number of Centuria Units they hold. Such distributions may be in the form of cash, cheque, direct deposit or property or additional Centuria Units.

Redemption

Centuria Unitholders do not have any right to have their Centuria Units redeemed.

Buy back of Centuria Units and cancellation

Subject to the ASX Listing Rules, the Corporations Act and any applicable ASIC instrument, CFML may effect a buy back of Centuria Units by purchasing Centuria Units (whether on market or not) on any terms and at any times it determines.

Transfer of Centuria Stapled Securities

Subject to the rules applicable while the Centuria Capital Fund is admitted to an uncertificated trading system and to their terms of issue, Centuria Stapled Securities may be transferred by whatever written transfer form CFML may require from time to time. Except as permitted by the ASX Listing Rules, a Centuria Unitholder must not dispose of "restricted securities" (as defined in the ASX Listing Rules) during the applicable restriction period.

Meetings

The rights of Centuria Unitholders to requisition, attend and vote at meetings are generally as prescribed by the Corporations Act and Listing Rules except as modified by the Fund Constitution.

CFML may convene a meeting of Unitholders or Unitholders of a class at any time and may determine the time and place and the manner in which the meeting will be conducted.

Centuria Unitholder's liability

Except as expressly provided for in the Fund Constitution and subject to any contrary agreement with a Centuria Unitholder, if there are insufficient assets in the Centuria Capital Fund to meet the liabilities of CFML in relation to the Centuria Capital Fund, a Centuria Unitholder does not have to make up the difference or indemnify or make a payment to CFML or any of its creditors. A Centuria Unitholder's liability is limited to the unpaid part (if any) of the issue price of its units. A Centuria Unitholder has no liability to the creditors of CFML.

Notwithstanding any other provision in the Fund Constitution (whether express or implied) each Centuria Unitholder and former Centuria Unitholder indemnifies CFML (both on its own account and on account of the Centuria Capital Fund) for:

- (a) any unpaid amounts due by the Unitholder or former Unitholder on any basis (including under the Fund Constitution, pursuant to the Centuria Capital Fund's disclosure document, or pursuant to the Corporations Act) to CFML (either on its own account or on account of the Centuria Capital Fund); and
- (b) any tax or expense in relation to or referable to a Centuria Unitholder or former Centuria Unitholder (or CFML's estimate of it) that is incurred by CFML or that CFML reasonably expects to incur, including where that tax or expense is incurred as a consequence of an action or omission of, or which is requested by, or otherwise arises as a result of an attribute of the Centuria Unitholder or former Centuria Unitholder.

Each Centuria Unitholder is required to indemnify CFML for:

- (a) any tax payable by CFML as a result of the application of the AMIT Legislation which CFML reasonably determines relates to the Centuria Unitholders, Centuria Units held by the Centuria Unitholders or an attribution of taxable income made to the Centuria Unitholder; and
- (b) any other costs, expenses or liabilities incurred by CFML as a result of being liable to such tax.

Powers

In addition to its powers arising under the Fund Constitution and by law, CFML has all the powers in respect of the Centuria Capital Fund that it is possible to

confer on a natural person or corporation by law and as though it were the absolute and beneficial owner of the entirety of the assets of the Centuria Capital Fund acting in its personal capacity. Subject to the Corporations Act, CFML may appoint, engage or replace delegates, sub-agents, agents, attorneys, sub-attorneys, custodians, nominees or otherwise engage any person to hold title to any asset of the Centuria Capital Fund or to exercise or perform any of its duties, powers, discretions, and obligations in connection with the Centuria Capital Fund.

Rights, limitation of liability and indemnity of CFML

Subject to the law and the ASX Listing Rules, CFML and any one or more its associates may at any time hold Centuria Units and deal with itself in any capacity, including but without limitation subscribing for, purchasing, holding or otherwise dealing with Centuria Units.

Without limiting its liability under the Corporations Act or other relevant laws, if CFML acts without actual fraud or gross negligence or wilful default, CFML is not liable in contract, tort, under statute or otherwise to Centuria Unitholders for any loss suffered in any way relating to the Centuria Capital Fund and will not be liable to Centuria Unitholders to any greater extent than the extent to which it is entitled to be and is indemnified for such liabilities out of the Centuria Capital Fund's assets.

In addition to any other rights of indemnity or reimbursement which it may have under the Fund Constitution or at law, CFML is indemnified and is entitled to be reimbursed out of the Centuria Capital Fund's assets for all liabilities and losses incurred by it in relation to the proper performance of its duties in relation to the operation, administration and management of the Centuria Capital Fund or otherwise in connection with the Centuria Capital Fund. This right of indemnity and reimbursement shall continue in favour of CFML after it has ceased to be responsible entity of the Centuria Capital Fund.

CFML's fees and expenses

CFML is entitled to be paid management fees from the assets of the Centuria Capital Fund as described in clause 14.3 of the Fund Constitution. In addition to any other rights to indemnity or reimbursement which it may have under the Fund Constitution or at law, CFML is indemnified and entitled to be paid or reimbursed from the assets of the Centuria Capital Fund for all expenses incurred in relation to the proper performance of its duties or exercise of its powers.

Termination and winding up

The Centuria Capital Fund terminates on the earlier of:

- (a) the day before 80 years after the Centuria Capital Fund was established;
- (b) the date specified by CFML as the date the Centuria Capital Fund is to terminate in a notice given to Centuria Unitholders;

- (c) the Centuria Unitholders fix a date of termination, or resolve to terminate the Centuria Capital Fund, by a resolution that has been passed at a meeting on a poll by a special resolution; and
- (d) the occurrence of an event requiring the winding up of the Centuria Capital Fund under a provision of the Corporations Act or of any other applicable law.

If the Centuria Capital Fund has been terminated then, subject to any court orders or directions to CFML, the following provisions will apply:

- (a) CFML must give to each Centuria Unitholder notice of the termination and of its intention to wind up the Centuria Capital Fund;
- (b) no units may be issued or redeemed;
- (c) subject to the Fund Constitution, CFML will as soon as reasonably practicable after giving the notice under paragraph (a) above realise all of the Centuria Capital Fund assets in such a manner as CFML considers appropriate and pay, discharge or provide for (which provision may be made for such period of time as CFML thinks fit) all liabilities (whether actual, contingent or prospective) and all expenses of or in connection with the Centuria Capital Fund including those anticipated in connection with the winding up of the Centuria Capital Fund; and
- (d) the net proceeds of realisation and all other cash forming part of the Centuria Capital Fund assets will be distributed to the Centuria Unitholders in proportion to the number of units held by them at the date of the distribution.

Amendment

While the Centuria Capital Fund is registered, the Fund Constitution may be modified, repealed or replaced in accordance with the Corporations Act. While the Centuria Capital Fund is not registered, CFML may amend the Fund Constitution by supplemental deed.

Stapling

CFML may declare by written notice that Centuria Units are Stapled to any securities in one or more other stapled entities.

While Stapling applies, a Centuria Unit is Stapled to a Centuria Share (together comprising a Centuria Stapled Security) and there must be no dealing or disposition of any kind in relation to a Centuria Unit unless there is an identical dealing or disposition by the same parties with each Centuria Share to which the Centuria Unit is Stapled. CFML must not consolidate, subdivide, cancel or reorganise Centuria Units unless at the same time there is a corresponding consolidation, subdivision, cancellation or reorganisation of the Centuria Shares.

In exercising its powers or discretions or performing its functions under the Fund Constitution or in relation to the Centuria Capital Fund, CFML may as it sees fit:

- (a) take into account the interests of holders of units, share or other securities in stapled entities other than in the Centuria Capital Fund; and
- (b) exercise its powers and discretions or perform its functions even though to do so would be for the benefit of those persons and not for the direct benefit of Centuria Unitholders.

CFML may in connection with the Stapling or the relationship created by the Stapling give any guarantee or indemnity or become liable for the payment of money or the performance of any contract or other obligation by any person including any stapled entity or the responsible entity of any stapled entity.

To the extent permitted by law, CFML must cooperate with each stapled entity or the responsible entity of each stapled entity in everything relating to the stapled securities. This includes, for example, CFML ensuring the Centuria Capital Fund and stapled entities: (i) comply with the ASX Listing Rules; (ii) adopt consistent accounting, investment and valuation policies; (iii) hold Centuria Unitholders' meetings concurrently or where necessary consecutively; (iv) agree on the terms and timing of all new issues, buy backs, bonus and rights issues, placements and redemptions; (v) coordinate the announcement and payment of distributions; (vi) coordinate all distribution or dividend reinvestment plans; and (vii) report to Centuria Unitholders consistently and at the same times.

Unstapling

CFML may by written notice declare that Stapling ceases to apply to some or all of the Centuria Units. Centuria Unitholders may, by special resolution, determine that Stapling will cease to apply to some or all of the Centuria Units.

In addition, Stapling will automatically cease to apply to all Centuria Units if:

- (a) the Centuria Capital Fund is terminated by winding up;
- (b) the units, shares or other securities in any stapled entity to which the Centuria Units are stapled cease for any reason to be transferable only with Centuria Units; or
- (c) the law prohibits the Stapling.

If Stapling ceases to apply to a Centuria Unit, the clauses in the Fund Constitution which provide the consequences of Stapling cease to operate in respect of that Centuria Unit. If Stapling ceases to apply to all Centuria Units, CFML must do everything reasonably necessary to give effect to the cessation of Stapling including:

- (a) amending any records of the managed investment scheme;
- (b) transferring any property or paying any tax; and

- (c) giving directions or consents to Centuria.

Small holdings

CFML may in its discretion from time to time sell or redeem any Centuria Units held by a Centuria Unitholder which comprise less than a Marketable Parcel (as that term is defined in the ASX Listing Rules) as notified by CFML to Centuria Unitholders from time to time without request by the Centuria Unitholder. CFML must notify the Centuria Unitholder in writing of its intention to sell or redeem Centuria Units. CFML will not sell or redeem the relevant Centuria Units: (i) before the expiry of 6 weeks from the date of the notice given; or (ii) if, within the 6 weeks allowed, the Centuria Unitholder advises CFML that the Centuria Unitholder wishes to retain the Centuria Units.

13.4 If the Stapling Proposal does not proceed

If the Stapling Proposal does not proceed:

- Centuria will continue to be structured and to operate as it currently does;
- the Centuria Shares will continue to trade on the ASX;
- Centuria will have incurred costs in connection with the Stapling Proposal, which are expected to be approximately \$250,000 (reflecting legal, tax, valuation and financial advisory fees and expenses) and which will be borne by Centuria; and
- the rights of Centuria Shareholders will remain unchanged.

13.5 CHESS and holding statements

The Centuria Capital Group will apply to participate in CHESS and, in accordance with the Listing Rules and the ASX Settlement Operating Rules, will maintain an electronic issuer sponsored sub register and an electronic CHESS sub register.

Following the Stapling of the Centuria Stapled Securities under the Stapling Proposal, Centuria Stapled Securityholders will receive an initial statement of holding (similar to a bank account statement) that sets out the number of Centuria Stapled Securities that they hold.

This statement will also provide details of a Centuria Stapled Securityholder's Holder Identification Number (**HIN**) in the case of a holding on the CHESS sub register, or Securityholder Reference Number (**SRN**) in the case of a holding on the issuer sponsored sub register. Centuria Stapled Securityholders will be required to quote their HIN or SRN, as appropriate, in all dealings with a stockbroker or the Registry.

Centuria Stapled Securityholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time

either directly through the Centuria Stapled Securityholder's sponsoring broker, in the case of a holding on the CHESSE sub register, or through the Registry in the case of a holding on the issuer sponsored sub register. Centuria Capital Group or the Registry may charge a fee for these additional issuer sponsored statements.

13.6 Litigation and claims

As far as the Centuria Board is aware, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Centuria Group is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Centuria Group.

13.7 Interests of Centuria Directors, CFML Directors, experts and advisers

Centuria has appointed legal, accounting, tax and financial advisers to assist it in connection with the Stapling Proposal. Each adviser is entitled to receive their professional fees in accordance with either time-based or fixed fee basis.

Other than as set out below or elsewhere in this Explanatory Memorandum, no:

- Centuria Director or CFML Director;
- person named in this Explanatory Memorandum as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Explanatory Memorandum; or
- promoter of Centuria or the Centuria Capital Fund,

in relation to the Stapling Proposal, has, or had within 2 years before the date of this Explanatory Memorandum, any interest in:

- the formation or promotion of the Centuria Capital Fund;
- any property acquired or proposed to be acquired by the Centuria Capital Fund in connection with its formation or promotion or in connection with the Stapling Proposal; or
- the Centuria Unit Distribution; and

no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a CFML Director or otherwise for services rendered by him or her in connection with the formation or promotion of the Centuria Capital Fund or the Stapling Proposal.

In addition to the remuneration paid to the Centuria Board and disclosed in Centuria's financial statements, Centuria has issued Share Rights under the Executive Incentive Plan to certain Centuria executives. Please refer to Section 12.6 'Executive Performance Rights' for further details.

Centuria has engaged the following professional advisers in relation to the Stapling Proposal:

- Ernst & Young has provided taxation advice to Centuria. Centuria has agreed to pay approximately \$40,000 (plus GST) for these services to the date of this Explanatory Memorandum. Further amounts may be paid to Ernst & Young in accordance with its agreed fee arrangements.
- Ernst & Young has also provided advice in relation to the re-configuration of the existing Plan so that it may apply to the proposed Centuria Stapled Security structure. Centuria has paid or agreed to pay approximately \$30,000 (plus GST) for these services to the date of this Explanatory Memorandum. Further amounts may be paid to Ernst & Young in accordance with its agreed fee arrangements.
- Clayton Utz has provided advice on the establishment of the Centuria Capital Fund, including preparing the Fund Constitution, and on the acquisition of CFML. Centuria has paid or agreed to pay approximately \$35,000 (plus GST) for these services to the date of this Explanatory Memorandum. Further amounts may be paid to Clayton Utz in accordance with its agreed fee arrangements.
- HWL Ebsworth has acted as legal advisor to Centuria in connection with the Stapling Proposal (excluding the matters advised on by Ernst & Young and Clayton Utz referred to above). Centuria has paid or agreed to pay approximately \$65,000 (plus GST) for these services to the date of this Explanatory Memorandum. Further amounts may be paid to HWL Ebsworth in accordance with its agreed fee arrangements.

13.8 Consents

Each of the parties named in the table below as a consenting party:

- has given and has not, before the date of this Explanatory Memorandum, withdrawn its written consent to be named in this Explanatory Memorandum in the form and context in which it is named;
- has given and has not, before the date of this Explanatory Memorandum, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names below, and the references to those statements and reports in the form and context in which they are included in this Explanatory Memorandum;
- does not make, or purport to make, any statement in this Explanatory Memorandum other than those statements referred to below in respect of that party's name (and consented to by that party); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Explanatory Memorandum.

Consenting party	Named as	Statement
Ernst & Young	Taxation advisor in Section 9 and preparer of Section 12.6 covering the Executive Incentive Plan.	Section 9 relates to tax consequences of Stapling Proposal. Section 12.6 covers the re-configuration of the Executive Incentive Plan.
Clayton Utz	Provided advice on the establishment of the Centuria Capital Fund, including preparing the Fund Constitution and on the acquisition of CFML.	Clayton Utz makes no statements in this Explanatory Memorandum and no statement is included in this Explanatory Memorandum based on any statement made by Clayton Utz.
HWL Ebsworth (HWLE)	Named in the Corporate Directory as Legal Adviser to Centuria.	HWLE makes no statements in this Explanatory Memorandum and no statement is included in this Explanatory Memorandum based on any statement made by HWLE.
KPMG	Centuria's auditor.	KPMG makes no statements in this Explanatory Memorandum and no statement is included in this Explanatory Memorandum based on any statement made by KPMG (other than references to financial statements having been audited).
Computershare	Named in the Corporate Directory as the share registry for Centuria.	Computershare has had no involvement in the preparation of this Explanatory Memorandum or in relation to the Stapling Proposal other than consenting to being named as Share Registrar.

Other than as disclosed above, none of these firms and companies has caused or authorised the issue of this Explanatory Memorandum or have in any way been involved in the implementation of the Stapling Proposal.

13.9 **Labour standards and environmental, social or ethical considerations**

CFML as responsible entity of the Centuria Capital Fund does not directly take labour standards or environmental, social or ethical considerations into account for the purpose of selecting, retaining or realisation of investments for the Centuria Capital Fund. However, sometimes these matters do indirectly affect the economic factors upon which investment decisions are based.

13.10 **Related party transactions**

The Stapling Proposal and the ongoing management of the Centuria Capital Fund's assets may involve a number of related party transactions.

CFML is a related party of Centuria Capital Group for the purposes of Chapter 2E of the Corporations Act. CFML, in its capacity as responsible entity of the Centuria Capital Fund, will have an ongoing relationship with a number of entities in the Centuria Capital Group.

13.11 **FATCA**

The Foreign Account Tax Compliance Act (**FATCA**) is a United States (**US**) tax law which was enacted in 2010 for the purpose of improving tax information reporting regarding US persons in respect of their offshore investments to the United States Internal Revenue Service (**IRS**).

On 28 April 2014, an Inter-Government Agreement (**IGA**) was signed between Australia and the US to facilitate the implementation of FATCA by Australian financial institutions. As a result, the Centuria Capital Fund has been registered with the IRS as a Reporting Australian Financial Institution for FATCA purposes.

In order to comply with FATCA requirements, CFML:

- may require investors to provide certain information regarding their identification and will undertake certain due diligence procedures with respect to investors of the Centuria Capital Fund to determine their status for FATCA reporting purposes. This information may be required at the time the Centuria Unit Distribution is made or at any time after the Centuria Stapled Securities have been issued; and
- will report annually to the IRS, via the ATO, in relation to relevant investors' financial information required by the ATO (if any) in respect of any investment in the Centuria Capital Fund.

Accordingly, by participating in the Centuria Unit Distribution prospective Centuria Stapled Securityholders agree to provide CFML with certain identification and related information in order to enable it to comply with its obligations in connection with the FATCA.

Given that the Centuria Units are being distributed to existing Centuria Shareholders, Centuria already possesses the information required to comply

with FATCA requirements and will provide this information to CFML as needed in accordance with the Company Constitution and Fund Constitution.

13.12 **AML and CTF**

CFML is bound by laws about the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Act**) or AML/CTF Rules. By participating in the Centuria Unit Distribution you agree:

- to provide to CFML any information or documents which CFML reasonably requests to be provided in order for CFML to comply with the AML/CTF Act or AML/CTF Rules. Information requested may include, identification checks and procedures, including, in relation to an individual investor's name, address and date of birth and for an investor that is a company, details of its directors and beneficial shareholders; and
- to the extent permitted by law, if CFML forms the view (in its reasonable opinion), that it is required to disclose information in order to comply with the AML/CTF Act or AML/CTF Rules, such disclosure will not be a breach of any obligation or duty CFML owes to investors and CFML will not incur any liability to any investor in respect to such disclosure.

13.13 **Personal information**

In participating in the Centuria Unit Distribution, you are providing information to CFML through the Registry that may be personal information for the purposes of the Privacy Act 1988 (Cth). CFML and the Registry on its behalf, collect, hold, use and disclose that personal information in order to service your needs as an investor, provide facilities and services that you request, inform you about other products and services offered by CFML or other entities in the Centuria Group, carry out appropriate administration and as otherwise required or authorised by law.

Your personal information may also be disclosed to and used by CFML and other members of the Centuria Group for any of the above purposes.

If you do not consent to CFML's use of your personal information, CFML will not be able to administer your Centuria Stapled Security holding and/or inform you about other products and services offered by CFML or other entities in the Centuria Group.

Your personal information may also be disclosed to CFML's agents and service providers involved with the administration of the Centuria Capital Fund on the basis that they deal with such information in accordance with their respective privacy policies. These entities may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. This may include Canada, India, New Zealand, The Philippines, The United Kingdom and the United States of America. For this reason, CFML will not take further steps to ensure that the overseas recipients do not breach the Australian Privacy Principles under the Privacy Act 1988 (Cth) in relation to any personal information disclosed to overseas recipients. The types of

agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Centuria Capital Fund's investor base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Centuria Stapled Securities and for associated actions.

Your personal information may also be disclosed to regulators or other government agencies (including ASIC and the ATO), and the public by way of public registers maintained by regulators or other bodies.

Under the Privacy Act 1988 (Cth), you may request access to your personal information held by (or on behalf of) CFML. You may be required to pay a reasonable charge to the Registry in order to access your personal information. You can request access to your personal information by contacting the Privacy Officer by email at privacy@computershare.com.au. If any of your information is not correct or has changed, you may request it to be corrected.

You may also make a complaint regarding the handling of your personal information by CFML or the Registry. CFML's privacy policy contains information regarding the exercise of such rights in relation to access, correction and complaints. It also contains information about how we deal with complaints. You can obtain a copy of CFML's privacy policy on request.

13.14 Dispute resolution

Centuria and CFML have in place a dispute resolution process to assess and respond to customer concerns as quickly and efficiently as possible.

If you have a complaint about a product or service offered by Centuria or CFML please contact the Centuria Investor Relations Team on +61 2 8923 8923. They will either try to resolve your complaint or put you in contact with someone who is better placed to resolve the complaint.

You may also write to Centuria or CFML at:

Centuria Complaints Resolution Process
Level 39
100 Miller Street
North Sydney NSW 2060

Or email: compliance@centuria.com.au

Please provide the details and reason for your complaint. Centuria or CFML will acknowledge the complaint in writing as soon as practicable and in any event

within 14 days from receipt and report back to you as soon as practicable and in any event no more than 45 days after receipt.

The Financial Ombudsman Service Limited (**FOS**) provides an independent complaints resolution scheme approved by ASIC. If you are dissatisfied with Centuria or CFML's response to your complaint, you may contact the FOS. The FOS's contact details are:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
(Australia)

Telephone:

For consumers: 1800 367 287

For international callers: +61 3 9613 7366

Email: info@fos.org.au

Please note that a complaint must first be submitted to Centuria's and CFML's complaints handling process before it can be referred to the FOS.

13.15 **Custodian**

CFML has appointed Perpetual Corporate Trust Limited (**Custodian**) to provide custody services in respect of the Centuria Capital Fund under a custodian agreement. The Custodian holds the assets of the Centuria Capital Fund. Under the custodian agreement, the Centuria Capital Fund indemnifies the Custodian for costs and expenses properly incurred in performing its obligations or duties under the custodian agreement. The Custodian may terminate the custodian agreement on 2 months prior notice to CFML. The Custodian has no supervisory role in relation to the operation of the Centuria Capital Fund and is not responsible for any investment decisions in the Centuria Capital Fund or protecting your interests. The Custodian only acts in accordance with the custodian agreement.

13.16 **Further information**

Further information about CFML and the Centuria Capital Fund is available in electronic form from the Centuria website: <http://centuria.com.au/>.

14. Centuria Directors' statement

Except as set out in this Explanatory Memorandum, so far as the Centuria Directors are aware, there is no other information material to the making of a decision on how to vote in relation to the Resolutions, being information that is within the knowledge of any Centuria Director which has not been previously disclosed to Centuria Shareholders.

Signed on 25 August 2016 for and on behalf of each of the Centuria Directors pursuant to a written authorisation:

A handwritten signature in black ink, appearing to be 'G. Charny', with a long horizontal stroke extending to the right and a small loop at the end.

Garry Charny
Chairman
Centuria Capital Limited

15. Glossary

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

AMIT Legislation	means all or any of the following: <ul style="list-style-type: none">(a) the <i>Income Tax Assessment Act 1936</i> (Cth);(b) the <i>Income Tax Assessment Act 1997</i> (Cth);(c) the <i>Taxation Administration Act 1953</i> (Cth);(d) the <i>Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016</i> (Cth);(e) the <i>Income Tax Rates Amendment (Managed Investment Trusts) Act 2016</i> (Cth);(f) the <i>Medicare Levy Amendment (Attribution Managed Investment Trusts) Act 2016</i> (Cth); and(g) the <i>Income Tax (Attribution Managed Investment Trusts - Offsets) Act 2016</i> (Cth).
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.
ASX Listing Rules	the official Listing Rules of the ASX.
ATO	the Australian Taxation Office.
Business Day	a business day for the purposes of the ASX Listing Rules.
Capital Reduction	the equal reduction of capital by Centuria proposed to be satisfied by the Centuria Unit Distribution (on a 1:1 basis, that is, one Centuria Unit will be distributed for each Centuria Share held).
Centuria	Centuria Capital Limited ACN 095 454 336.
Centuria Board	the Board of Directors of Centuria Capital Limited (see the Corporate Directory for a list of the current directors in Section

17).

Centuria Capital Fund	the Centuria Capital Fund ARSN 613 856 358 established by the Fund Constitution and the units in which (Centuria Units) will be stapled to Centuria Shares if the Stapling Proposal is approved by the Centuria Shareholders at the EGM and implemented.
Centuria Capital Group	the stapled group consisting of Centuria and the Centuria Capital Fund which will be created if the Stapling Proposal is approved by the Centuria Shareholders at the EGM and implemented.
Centuria Directors	the directors of Centuria.
Centuria Entity	either Centuria or the Centuria Capital Fund.
Centuria Group	the group of entities through which Centuria carries on its core business of investment bonds and property fund management.
Centuria Share	an ordinary fully paid share in Centuria.
Centuria Shareholder	the holder of a Centuria Share.
Centuria Stapled Security	a stapled security in the Centuria Capital Group consisting of a Centuria Share Stapled to a Centuria Unit.
Centuria Stapled Securityholder	the holder of a Centuria Stapled Security.
Centuria Unit	an ordinary fully paid unit in the Centuria Capital Fund.
Centuria Unit Distribution	the in specie distribution of Centuria Units to Centuria Shareholders on a 1:1 basis, approval for which is being sought pursuant to the Resolution approving the Capital Reduction.
Centuria Unitholder	the holder of a Centuria Unit.
CFML	Centuria Funds Management Limited ACN 607 153 588 which is

the responsible entity of the Centuria Capital Fund.

CFML Board	the Board of Directors of CFML who at the date of this Explanatory Memorandum were the same as the Centuria Directors (see the Corporate Directory for details in Section 17).
CGT	Capital Gains Tax under the <i>Income Tax Assessment Act 1997</i> (Cth) and applicable regulations.
Chairman	the chairman of the EGM being Mr Garry Charny, chairman of the Centuria Board, or failing him, the person appointed to chair the EGM by the Centuria Board.
CHESS	Clearing House Electronic Sub-register System.
Company Constitution	the constitution of Centuria.
Corporations Act	the <i>Corporations Act</i> 2001 (Cth).
CPFL	Centuria Property Funds Limited ACN 086 553 639.
Dollars or \$	Australian dollars.
Effective Date	the date on which the Company declares by an announcement to the ASX that the Stapling Proposal is to be implemented, being the date on which the Centuria Shares become Stapled to the Centuria Units.
EGM	the Extraordinary General Meeting of Centuria Shareholders convened to consider the Stapling Proposal and the Resolutions as detailed within the Notice of Meeting.
Executive Performance Rights	conditional rights to acquire Centuria Shares subject to satisfaction of service and performance conditions, granted to executives of Centuria under the Plan.
Explanatory Memorandum	this Explanatory Memorandum.

Fund Constitution	the constitution of the Centuria Capital Fund dated 20 July 2016 and executed by CFML.
HIN	Holder Identification Number.
Internal Restructure	the transfer of the Property Investments of Centuria to the Centuria Capital Fund (noting that the Centuria Shareholders will continue to have an interest in the Property Investments) through their ownership of Centuria Units.
Notice of Meeting	the Notice of Meeting included in Section 16.
Official List	the Official List of the ASX.
Plan	the Centuria Capital Limited Executive Incentive Plan established by Centuria in 2013.
Promissory Note	the promissory note issued by Centuria promising to pay \$52,535,795 million to CFML in return for the issue of 77,194,733 Centuria Units.
Property Investments	the property investments referred to in Section 3.3 that are to be acquired by the Centuria Capital Fund as part of the Internal Restructure.
Proxy Form	the Proxy Form enclosed with this Explanatory Memorandum that can be used by Centuria Shareholders to appoint a proxy for the EGM.
Record Date	the cut-off date nominated by Centuria in order to determine which Centuria Shareholders are entitled to participate in the Centuria Unit Distribution.
Registry	Computershare Investor Services Pty Limited.
Replacement Right	a right issued under the Plan to receive a Centuria Stapled Security subject to the satisfaction of performance hurdles and vesting conditions over the vesting period issued to replace a Share Right.

Resolutions	the three resolutions to be put to the Centuria Shareholders at the EGM in relation to the Stapling Proposal and as referred to in the Notice of Meeting.
Section	a section of this Explanatory Memorandum.
Share Right	a right to a Share under the Plan subject to the satisfaction of performance hurdles and vesting conditions over the vesting period.
Stapled/Stapling	in the case of a Centuria Unit and Centuria Share, the "stapling" of them together so that neither of them may be dealt with without the other being dealt with in an identical manner and at the same time and with such restriction on dealing being denoted on the register of each stapled entity in which the securities are on issue.
Stapling Deed	a deed between CFML and Centuria to be dated on or around the date of this Explanatory Memorandum concerning the Stapling of the Centuria Units to the Centuria Shares.
Stapling Proposal	the proposal to create the Centuria Capital Group as detailed in this Explanatory Memorandum and concerning the Stapling of the Centuria Units to the Centuria Shares.
Stapling Provisions	the provisions in the Company Constitution which deal with Stapling.

16. Notice of Meeting

CENTURIA CAPITAL LIMITED

ACN 095 454 336

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (**EGM**) of the holders of ordinary shares (**Centuria Shares**) of Centuria Capital Limited (**Company**) will be held at:

Place: the Hobart Room, Sofitel Sydney Wentworth, 61-101 Phillip Street, Sydney
NSW 2000

Date: 27 September 2016

Time: 10.00 am

ITEMS OF BUSINESS

The business of the EGM is to consider and, if thought fit, to pass the following resolutions:

RESOLUTION 1: AMENDMENT TO COMPANY CONSTITUTION

As a special resolution:

"That, subject to the passing of Resolution 2 and Resolution 3, the constitution of the Company be amended in the manner described in the Explanatory Memorandum accompanying the notice convening this meeting and as marked up in the constitution submitted to the meeting, marked "Stapling Amendments" (and signed by the Chairman of the meeting for the purpose of identification) with effect on and from the Effective Date (as defined in the notice convening this meeting)."

For the purposes of Resolution 1, the 'Effective Date' means the date on which the Company declares by an announcement to ASX Limited that the Stapling Proposal is to be implemented, being the date on which the Centuria Shares become stapled to the Centuria Units.

RESOLUTION 2: CAPITAL REDUCTION

As an ordinary resolution:

"That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth), and for all other purposes, approval is given for the capital of the Company to be reduced by the Company distributing to each registered holder of fully paid ordinary shares in the Company as at 7.00 pm on 30 September 2016 (or such other time and date which the Company declares by an announcement to ASX Limited to be the record date) one unit in the Centuria Capital Fund for each fully paid ordinary share in the Company held by the holder."

RESOLUTION 3: STAPLING PROPOSAL, PROPERTY INVESTMENTS TRANSFER AND STAPLING DEED

As an ordinary resolution:

"That for all purposes approval is given to the Stapling Proposal (as defined in the Explanatory Memorandum accompanying the notice convening this meeting), the acquisition by Centuria Funds Management Limited as responsible entity of the Centuria Capital Fund ARSN 613 856 358 of the Property Investments (as defined in the Explanatory Memorandum) and the entry into of the Stapling Deed (as described in the Explanatory Memorandum and signed by the Chairman of the meeting for the purpose of identification)."

IMPORTANT NOTES

REFER TO THE EXPLANATORY MEMORANDUM

This Notice of Meeting should be read in conjunction with the Explanatory Memorandum accompanying this Notice of Meeting.

The Explanatory Memorandum contains an explanation of the Resolutions and detailed information about the Stapling Proposal. To enable you to make an informed decision as to how to vote on each of the Resolutions, please carefully read the Explanatory Memorandum. Please see Section 6.1 for the unanimous recommendation of the Centuria Directors that Centuria Shareholders should vote in favour of all of the Resolutions.

The Explanatory Memorandum has been prepared to provide Centuria Shareholders with sufficient information to assess the merits of the Stapling Proposal and the Resolutions. You should read the Explanatory Memorandum in full before making any decisions in relation to the Resolutions.

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 to the Explanatory Memorandum.

QUORUM

The Company Constitution provides that two Centuria Shareholders present personally or by representative, attorney or proxy shall be a quorum for the EGM.

REQUIRED VOTING THRESHOLDS

The vote on the Resolutions will be conducted by way of a poll. On a poll, Centuria Shareholders have one vote for each Centuria Share held.

Resolution 1: Amendment to Company Constitution is a special resolution and will be passed if at least 75% of the votes cast on the resolution are in favour.

Resolution 2 and Resolution 3: are ordinary resolutions and will be passed if more than 50% of the votes cast on the relevant resolution are in favour.

NO VOTING EXCLUSIONS

Centuria Shareholders are all treated in the same way under the Stapling Proposal and they all have the same interest in the Resolutions to be considered. Accordingly, neither the *Corporations Act 2001* (Cth) (**Corporations Act**) nor the ASX Listing Rules (as they apply given the waivers granted by ASX Limited and referred to in Section 12.5 of the Explanatory Memorandum) require that the votes cast by or on behalf of any person on the Resolutions must be disregarded.

VOTING INSTRUCTIONS

Voting entitlement

Persons holding Centuria Shares at 10.00 am (Australian Eastern Standard Time) on 25 September 2016 will, for the purposes of determining voting entitlements at the EGM, be taken to be Centuria Shareholders.

How to vote

Centuria Shareholders may vote by attending the meeting in person, by proxy or by authorised representative.

Proxies and authorised representatives

A Centuria Shareholder who is entitled to attend and vote at the EGM has the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Centuria Shareholder.

Centuria Shareholders holding two or more Centuria Shares can appoint either one or two proxies. Where two proxies are appointed, the appointing Centuria Shareholder can specify the number of votes or the proportion of the Centuria Shareholder's votes they want each proxy to exercise. If no number or proportion is specified, each proxy may exercise half of the Centuria Shareholder's votes. Neither proxy may vote on a show of hands.

Corporate Centuria Shareholders must provide the Company with satisfactory evidence of the appointment of any corporate representative, prior to the commencement of the EGM.

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 the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the EGM.

The Chairman of the EGM is deemed to be appointed if a signed proxy is returned 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 EGM, or attends but does not vote, on a poll on a resolution, the Chairman of the EGM 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 the Company's Share 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 Company's Share Registry or at the Company's registered office at least 48 hours before the start of the EGM (being no later than 10.00 am (Australian Eastern Standard Time) on 25 September 2016.

Under clause 50 of the Company Constitution, a person who has satisfied the Centuria Directors not less than 24 hours before the EGM that the person is entitled to a Centuria Share by operation of law, may exercise all rights attached to the Centuria Share in relation to the EGM, as if the person were the registered holder of the Centuria Share.

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 your enclosed 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 EGM 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 Resolutions, 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 relevant Resolution. The Chairman intends to vote available undirected proxies in favour of all Resolutions.

How to vote

Centuria Shareholders may vote by attending the meeting in person, by proxy or by authorised representative.

Voting of jointly held Centuria Shares

Clause 48.1 of the Company Constitution provides that if 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.

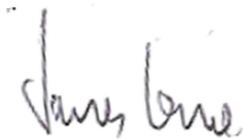
Attendance

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

Appointment of Chairman

Under clause 38.1 of the Company Constitution, the Chairman of the Centuria Board (Mr Garry Charny) is to be the Chairman of the EGM. Failing him, another person appointed by the Centuria Board of Directors will act as Chairman of the EGM.

By order of the Centuria Board of Directors.

A handwritten signature in dark ink, appearing to read 'James Lonie', is positioned above the printed name and title of the signatory.

James Lonie
Company Secretary
25 August 2016

17. Corporate Directory

Directors

Garry Charny - Non-Executive Chairman

Peter Done - Non-Executive Director

John Slater - Non-Executive Director

John McBain - Executive Director and Group Chief Executive Officer

Nicholas Collishaw - Executive Director

Jason Huljich - Executive Director

Chief Financial Officer

Simon Holt

Company Secretary

James Lonie

Principal and Registered Office

Level 39
100 Miller Street
North Sydney NSW 2060

Tax adviser

Ernst & Young

Legal Adviser

HWL Ebsworth

Auditors

KPMG

Share Registrar

Computershare Investor Services Pty Ltd

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