



# **Explanatory Memorandum**

## **Lake Macquarie Investment Trust**

(Centro MCS 24 Investment Trust ARSN 090 930 742)

## **Lake Macquarie Property Trust**

(Centro MCS 24 Property Trust ARSN 090 931 230)

## **(Centro MCS 24)**

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### **1. Unitholder meetings to be held on Tuesday 27 September 2005 for:**

**Lake Macquarie Investment Trust at 9.30 am**

**Lake Macquarie Property Trust at 11.00 am**

**Both meetings will be held at:**

**Level 3, Centro The Glen,  
235 Springvale Road,  
Glen Waverley Victoria, 3150**

### **2. Rollover Proposal for Centro MCS 24**

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#### **Responsible Entity:**

**CPT Manager Limited**

**ABN 37 054 494 307**

**3rd Floor, Centro The Glen**

**235 Springvale Road, Glen Waverley VIC 3150**

**Investor Services (Toll Free) 1800 802 400 Australia**

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This Explanatory Memorandum is an important document and requires your immediate attention. In providing you with information to evaluate the decisions described in this document, CPT Manager Limited has not taken into account your personal investment objectives, financial situation and particular needs. It is important that you read this entire document and before making a decision to approve the Constitutional Amendments or, if applicable, exercise your put (sell) option to exit the Syndicate, you should consider the information provided to you in the context of your personal position (including your financial and taxation position) and seek professional advice from a lawyer, accountant or other professional adviser.

## Introduction

CPT Manager Limited, as Responsible Entity of the Lake Macquarie Property Trust (“the Property Trust”) and Lake Macquarie Investment Trust (“the Investment Trust”) (collectively “the Syndicate”) has provided this Explanatory Memorandum to Investors to enable Investors to consider the future of the Syndicate, and their investment in it, and to allow for Investors to vote on proposed Constitutional changes that the Responsible Entity considers are essential for the ongoing viability of the Syndicate.

The Explanatory Memorandum is in five parts:

- Part A – Notice of Meetings
- Part B – Explanation of Resolutions
- Part C – Rollover Material
- Part D – Meetings and How to Vote
- Part E – Put Option and How to Exercise.

The Responsible Entity is providing this information to Investors to explain its Rollover Proposal for the Syndicate. The Rollover Proposal is that the Syndicate continue for a further period of not more than seven years, on the basis of the proposed changes to the structure of the Syndicate detailed in this Explanatory Memorandum.

The Rollover Proposal proceeds as follows;

1. CPT Manager Limited, as Responsible Entity, by issuing this Explanatory Memorandum recommends that the Syndicate rolls over for a further term, on the basis that the proposed Constitutional amendments are approved.
2. Investors are asked to consider Resolutions to amend the structure of the Syndicate by Constitutional Amendments.
3. The meetings of Investors to consider the Resolutions are to be held on 27 September 2005.
4. If at the meetings, Investors approve the proposed changes, then the Syndicate will continue for a further period in its new structure, and the flexible Exit Mechanism will be implemented. Investors then have until 31 October 2005 to elect to remain in or exit the Syndicate.
  - a. Investors who wish to exit are able to do so by “putting” (or selling) their Units to Centro, to be acquired at the Exit Unit Value.
  - b. If any Investors “put” (sell) their Units to Centro, then Centro is entitled to call (or buy) all, or a specified portion of Units on issue. For this proposed rollover only, Centro will not consider calling Units unless the number of Units “put” is at least 20% by value of all Units on issue across both the Property Trust and the Investment Trust combined. If Centro calls Units, Investors will receive the proceeds of their investment at the Exit Unit Value.
  - c. Investors who wish to remain in the Syndicate are able to do so unless, should it be entitled, Centro elects to call Units.
5. If at both meetings Investors do not approve the changes (or the meeting of the Property Trust does not approve the changes), the Syndicate will be wound up, the property sold and the net proceeds returned to Investors.

Investors will receive two forms;

- Proxy Form (green) for the Investment Trust and (blue) for the Property Trust for voting on the Rollover Proposal, if you cannot attend the meeting in person.
- Put Option Form (pink for the Investment Trust and yellow for the Property Trust) to be completed so that if the Constitutional Amendments are approved, the Investor may elect to exit the Syndicate.

## Choice for Investors

Investors may vote to approve the Constitutional Amendments or vote against them.

Voting for the Constitutional Amendments will still allow Investors who wish to exit the Syndicate to do so by way of the flexible Exit Mechanism. A benefit of voting for the Constitutional Amendments for Investors wishing to exit the Syndicate is that those Investors will have the opportunity to elect to exit and receive their proceeds on 30 November 2005, or earlier if this is practicably possible, while at the same time, Investors wishing to remain in the Syndicate are able to elect to do so.

## Voting Requirements

To vote at the meetings, Investors should either complete and return the attached green (Investment Trust Investors) or blue (Property Trust Investors) Proxy Form, in accordance with the voting instructions at page 31, or attend the meetings in person.

For the Constitutional Amendments to be passed and implemented for each Trust at least 75% (by value) of Investors in that Trust who vote, must vote in favour.

If more than 25% of Investors (by value) who vote, vote against the Constitutional Amendments, then the Responsible Entity will wind up the Syndicate, and all Investors, regardless of their preference, will be required to exit the Syndicate.

## The Responsible Entity is recommending that Investors vote **FOR** the resolutions.

**Investors should read all the material provided and obtain independent advice if so required.**

## To Exit the Syndicate

Investors who wish to exit the Syndicate by way of the flexible Exit Mechanism in the event that the Constitutional Amendments are approved, should complete and return the attached Put Option Form (pink for the Investment Trust and yellow for the Property Trust), in accordance with the instructions at page 32.

Investors should note that if the Constitutional Amendments are not approved, the Put Option Notices shall have no effect and Investors will receive the net proceeds from the sale of the Syndicate property upon the winding up of the Syndicate.

## Quarterly Distributions

Investors should note that effective from 30 November 2005 distributions will be paid quarterly.

## Investor Queries

If Investors have any questions, please contact Investor Services on 1800 802 400.

## Key Dates

Notice of meetings sent to Investors	31 August 2005
Proxy forms completed and returned	48 hours before Meetings (e.g. 9.30am on 25 September for the Investment Trust and 11.00am on 25 September for the Property Trust)
Meetings of Investors held	27 September 2005
Results of the meetings sent to Investors and Put Option Period commences	28 September 2005
<b>If Resolutions approved at Meetings</b>	
Put (Sell) Option Period Expires – Last date for Put Option Forms to be received by Responsible Entity for Investors who wish to exit	31 October 2005
Units acquired by Centro as a result of the exercise of the Put Options	30 November 2005
Funds paid to exiting Unitholders	30 November 2005
Syndicate rolls over for further term	30 November 2005
<b>If Resolutions not approved at Meetings:</b>	
Syndicate termination	30 November 2005

## PART A – NOTICE OF MEETINGS

### Notice of Meeting for Lake Macquarie Investment Trust

Notice is given to the Unitholders of Lake Macquarie Investment Trust (Investment Unitholders) that a meeting of Investment Unitholders will be held at Level 3, Centro The Glen, 235 Springvale Road, Glen Waverley Victoria on 27 September 2005 at 9:30am. The purpose of this meeting is to consider, and if thought fit, to pass the following resolution:

**Resolution: Special resolution to approve Rollover Proposal for Lake Macquarie Investment Trust**

“That, subject to the Resolution to be put to the meeting of Unitholders in the Lake Macquarie Property Trust of 27 September 2005 at 11 am at Level 3, Centro The Glen, 235 Springvale Road, Glen Waverley, Victoria (or any adjournment thereof) being duly passed, the Rollover Proposal be and is hereby approved, and that the Constitution of the Lake Macquarie Investment Trust be amended in the form of the draft Constitution tabled at the meeting, and that the Responsible Entity be authorised to do all things necessary to implement the Rollover Proposal.”

### Voting and Proxies

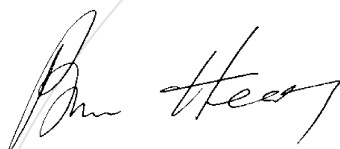
If you are unable to attend this meeting, you may appoint a person to act as your proxy at the meeting by completing the enclosed green proxy form. Please note that proxy forms must be received at the offices of the Responsible Entity, CPT Manager Limited, Level 3, 235 Springvale Road, Glen Waverley, VIC, 3150 at least 48 hours before the time for holding the meeting. Your proxy does not need to be an Investment Unitholder. If you appoint two proxies, you may specify the proportion or number of votes each proxy is appointed to exercise. For the Resolution to be passed at the meeting at least 75% (by value) of eligible Investment Unitholders who vote must vote in favour.

### Quorum:

The quorum for the meeting is two persons, holding or representing 10% by value of Units.

### By order of the Board of the Responsible Entity

**Dated: 31 August 2005**



Brian Healey  
Chairman  
CPT Manager Limited

## Notice of Meeting for Lake Macquarie Property Trust

Notice is given to the Unitholders of Lake Macquarie Property Trust (Property Unitholders) that a meeting of Property Unitholders will be held at Level 3 Centro The Glen, 235 Springvale Road, Glen Waverley Victoria on 27 September 2005 at 11.00 am. The purpose of this meeting is to consider, and if thought fit, to pass the following resolution:

**Resolution: Special resolution to approve Rollover Proposal for Lake Macquarie Property Trust**

“That the Rollover Proposal be approved, and that the Constitution of the Lake Macquarie Property Trust be amended in the form of the draft Constitution tabled at the meeting with immediate effect and that the Responsible Entity be authorised to do all things necessary to implement the Rollover Proposal.”

### Voting and Proxies

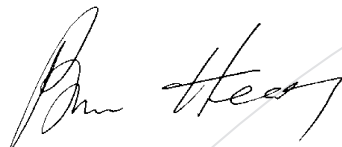
If you are unable to attend this meeting, you may appoint a person to act as your proxy at the meeting by completing the enclosed blue proxy form. Please note that proxy forms must be received at the offices of the Responsible Entity, CPT Manager Limited, Level 3, 235 Springvale Road, Glen Waverley, VIC, 3150 at least 48 hours before the time for holding the meeting. Your proxy does not need to be a Property Unitholder. If you appoint two proxies, you may specify the proportion or number of votes each proxy is appointed to exercise. For the Resolution to be passed at the meeting at least 75% (by value) of eligible Property Unitholders who vote must vote in favour.

### Quorum:

The quorum for the meeting is two persons, holding or representing 10% by value of Units.

**By order of the Board of the Responsible Entity**

**Dated: 31 August 2005**



Brian Healey  
Chairman  
CPT Manager Limited

## PART B – EXPLANATION OF RESOLUTIONS

The Syndicate comprises the Lake Macquarie Property Trust (**Property Trust**) and the Lake Macquarie Investment Trust (**Investment Trust**). The Investment Trust is an Investor in the Property Trust, holding 36.81% of the Units in the Property Trust.

The Responsible Entity has proposed the Rollover Proposal, including amendments to the Constitutions of the Trusts to introduce changes to the structure of the Syndicate that it considers essential for its ongoing flexibility and success.

Part B is in question and answer format, and sets out the effect of the Rollover Proposal and the Responsible Entity's reasons for proposing it. Some constitutional changes are being made to the Lake Macquarie Property Trust Constitution which are not being made to the Lake Macquarie Investment Trust Constitution. This Part B explains the Rollover Proposal, including the proposed amendments in relation to the Property Trust, with an explanation as to the effect of the corresponding proposal and amendments for the Investment Trust.

The form of the proposed amendments to the Constitutions for Lake Macquarie Property Trust and Lake Macquarie Investment Trust will be set out in the draft Constitutions to be tabled at the meetings. Copies are available for Investors upon request.

As the sole assets of the Investment Trust are Units in the Property Trust, the Rollover Proposal in relation to the Property Trust will have a direct impact on the Investment Trust. Accordingly, the Responsible Entity will attend the Property Trust meeting and vote on behalf of the Investment Trust in accordance with the result of the Investment Trust meeting. If the Resolution for the Investment Trust is passed, then the Responsible Entity will vote for the Resolution at the Property Trust meeting, and will vote against it if the Resolution at the Investment Trust meeting is not passed.

### Summary of Proposed Constitutional Amendments

**Exit Mechanism** – The Responsible Entity believes that it is important to provide Investors with certainty as to the liquidity of their investment at the end of the period of investment. The proposed amendment will provide Investors with the ability to exit their investment at the scheduled rollover date at the Exit Unit Value.

**Fee Amendment** – To reflect the introduction of the flexible Exit Mechanism, this amendment will provide for performance fees to be payable to the Responsible Entity on rollover as well as on sale of the property, provided certain performance criteria are met.

**Debt Management Beyond Syndicate Term** – The Responsible Entity believes that it is prudent risk management to reduce the interest rate risk by providing for the ability to fix interest rates beyond the end of the Syndicate term.

**Equity Raising** – This amendment will allow the Responsible Entity to confidently proceed with plans for any potential future development or acquisition opportunities by ensuring potential funding mechanisms are in place. Investors will be given an opportunity to participate in any equity raising.

**Merger Provision** – The Responsible Entity believes that this ability is important so that, if it is in Investors best interests, the Syndicate has the flexibility to merge with another Centro MCS syndicate, thereby broadening its asset base and increasing investment diversification.

**Associated, Related or Adjoining Land Acquisition** – This will allow the Responsible Entity to strategically manage opportunities or threats that arise to Syndicate assets.

### Responsible Entity's Recommendation

**For the reasons set out in this Part B, the Responsible Entity recommends that Investors vote FOR the Resolutions.**



## Proposed Constitutional Amendments

The following questions and answers provide the Responsible Entity's rationale and explanation of the Resolutions and their effect.

### **Question 1: What is the Rollover Proposal?**

**Answer:** The Rollover Proposal is that the Syndicate continues for a further period of not more than seven years on the basis of the proposed changes to the operation of the Syndicate and to the Constitutions.

### **Question 2: Why does the Responsible Entity propose these Constitutional changes?**

**Answer:** The Syndicate was established in December 1998 and, consistent with the syndicate market at that time, had a single term of investment. There have been significant changes in the syndication market since then which have provided investors with greater flexibility in the structure of investments such as this.

The proposed changes will give the Syndicate the flexibility necessary to minimise the risks associated with the single property nature of the Syndicate. The Responsible Entity does not believe that it is in the best interests of Investors that the Syndicate continue unless flexibility is introduced into the structure of the Syndicate to enable the Responsible Entity to deal with these challenges, and with potential opportunities which may present themselves, or which the Responsible Entity may seek.

Accordingly, the Responsible Entity is proposing amendments to the structure of the Syndicate to introduce flexibility to acquire adjacent, related or adjoining land, to merge the Syndicate with another, to manage Syndicate debt beyond the scheduled end of the Syndicate term, and to enable further equity raising. The amendments also propose a means of extending the term of the Syndicate in a way that is far more equitable to all Investors than the present method. The Responsible Entity believes that these amendments will enable the Syndicate to take advantage of strategic opportunities to improve, protect and enhance Investors' interests.

These changes are also being introduced for all other Centro MCS syndicates, as the syndicates reach the expiry of their present term of investment.

It should be noted that all Centro MCS syndicates that have come up for rollover to date have rolled over with approval from investors including Centro MCS 22 (Kidman Syndicate) and Centro MCS 23 (Prime Property Syndicate No. 3), both former Heine syndicates.

### **Question 3: What are the proposed changes to the operation of the Syndicate and to the Constitutions?**

**Answer:**

- 1 To minimise the risks associated with the single property nature of the Syndicate, the following amendments are proposed to the Constitution of the Property Trust:
  - Ability for the Responsible Entity to merge the Property Trust with another Centro MCS syndicate in the future;
  - Ability to acquire land associated with, related to, or adjoining the Property Trust assets.
- 2 To provide the Syndicate with the ability to protect and enhance Syndicate assets when needed, for example, by redevelopment, or by debt management, the following amendments are proposed:
  - Ability for the Responsible Entity to conduct further equity raising for the Property Trust and the Investment Trust; and
  - Ability for the Responsible Entity to enter into debt arrangements that expire beyond the end of the current period of investment of the Property Trust.

- 3 To introduce to the Syndicate a means of rolling over, (continuing), that is both equitable and flexible, the following amendments are proposed:
- Replacement of the existing Constitutional provisions for continuation of the Property Trust and the Investment Trust for a further period of investment with the flexible Exit Mechanism; and
  - Amendment of the fee structure of the Property Trust to provide for performance fees to be payable to the Responsible Entity on rollover as well as on termination, reflecting the introduction of the more equitable and flexible means of continually rolling over the Syndicate.

**Question 4: Why are all the proposed changes contained in a single resolution for each Trust?**

**Answer:** The Responsible Entity believes that for the ongoing management of the Syndicate to be effective, a number of changes need to be introduced, and it is the sum of all the proposed changes, not a single change, that is needed. Accordingly, the Responsible Entity has proposed a single resolution for each of the Property Trust and the Investment Trust that contains all the changes the Responsible Entity considers necessary.

**Question 5: What happens if a Resolution is not approved?**

**Answer:** The Responsible Entity believes that the amendments proposed by the Resolutions are essential if the Syndicate is to continue effectively. Without those amendments, the Responsible Entity believes that it would be in the best interests of Investors to sell the asset rather than to continue the Syndicate with its inflexible and dated structure. Therefore, if the Resolutions are not approved, the Responsible Entity will proceed to wind up the Syndicate, the property will be sold and the net proceeds returned to Investors. In that case, the proceeds of sale of the property may not be the same as the valuation, and accordingly the amount available for distribution to investors may differ from the amounts set out in this Explanatory Memorandum.

**Question 6: Replacement of the existing rollover provisions with the flexible Exit Mechanism**

**6(a) Why is the Responsible Entity proposing this change?**

**Answer:** The existing constitutional provisions for continuing the Syndicate are inequitable and incapable of catering for all Investors. Those provisions have the effect that if the Responsible Entity believes that the Syndicate should continue, it can only do so if at least 75% of Investors in the Property Trust by number are in favour. Given the disparity in the value of holdings, it is possible for 25% of Investors in the Property Trust, representing far less than 25% of the Property Trust equity by value, to vote against its continuation, and so cause the Syndicate to be wound up. In the event that more than 75% of Investors wished the Property Trust to continue, the existing provisions do not provide an exit mechanism for Investors who do not wish to continue to invest.

The flexible Exit Mechanism provides a mechanism for continuation of the Syndicate that is equitable and allows the interests of all Investors to be catered for.

The Responsible Entity believes that it is important to provide Investors in each Trust with certainty as to the liquidity of their investment at the end of the Syndicate term. The proposed amendment will provide Investors in each Trust with the ability to exit their investment in the Syndicate at the scheduled rollover date at its then current Exit Unit Value (Net Asset Backing plus accrued distribution).

**6(b)**

**Answer:**

**What is the flexible Exit Mechanism?**

The flexible Exit Mechanism will provide that at the end of each Syndicate term, including the current term, the Responsible Entity may decide to rollover, restructure or terminate the Syndicate. Details of any proposal to continue or restructure the Syndicate at the end of each Syndicate term will be notified to Investors no later than three months prior to the end of that term. This will provide Investors who wish to exit the Syndicate sufficient opportunity to sell their Units to Centro at the end of the Syndicate term. The first rollover date will be the date of expiry of the present Syndicate term, being 30 November 2005.

If the Responsible Entity decides to rollover a Syndicate, each Investor will be able to “put” (or sell) their Interests to Centro. Centro, or its nominee, is then obliged to acquire those Interests.

For each Trust, if any Investors “put” their interests to Centro, Centro will be entitled to “call” (buy) or acquire all other Investors’ interests. Investors should note however, that for the current proposed rollover, i.e. at 30 November 2005 Centro will not consider exercising its call option unless the number of Units put to Centro is at least 20% by value of all Units on issue across both the Property Trust and the Investment Trust combined.

The price at which Units will be put and called is the Exit Unit Value. Centro will pay for the Units acquired with cash, or with Centro Stapled Securities issued at a 0.5% discount to the weighted average ASX market price of all Centro Stapled Securities (adjusted for distribution differences) traded over the ten days prior to the date of issue.

In addition, each Investor appoints the Responsible Entity as its attorney for the purposes of the flexible Exit Mechanism, except in regard to the exercise of the put (sell) option.

Investors should note that if CPT Manager Limited (or another member of the Centro Properties Group) ceases to be the responsible entity for either Trust, then the flexible Exit Mechanism will cease to apply for that Trust. Each Investor should also note that they may not transfer any Units during the period between the date that Investor exercises their put option right and the date the relevant Units are acquired by Centro.

Key benefits of continuing the Syndicate under the flexible Exit Mechanism include:

- Ability for continuation of an investment that in recent years has performed solidly for Investors;
- Those Investors who want to exit their investment are provided with certainty that they are able to do so even if more than 75% of Investors wish to continue;
- Those Investors who do not want to exit can continue without triggering capital gains tax on the Syndicate property and are able to defer capital gains tax for the entire life of their investment, subject to the investment retaining a positive cost base;
- The amount an Investor would otherwise pay to the Commissioner of Taxation for capital gains tax on the Syndicate property remains invested in the Syndicate; and
- The costs associated with reinvesting equity in an alternative investment, such as stamp duty and acquisition costs, are not incurred.

**6 (c)**

**Answer:**

**Is there a similar or corresponding amendment proposed for the Investment Trust?**

The Responsible Entity has proposed a similar amendment for the Investment Trust.

**Question 7:**

**Ability to manage debt beyond the Syndicate term**

**7(a)**

**Why does the Responsible Entity propose this change?**

**Answer:**

The Responsible Entity believes that it is not prudent to restrict the performance of the Syndicate by planning only for the current Syndicate term. This is particularly so with regard to financial risk management. The proposed amendment will allow the Responsible Entity to arrange debt facilities for the Syndicate and protect Investors in the Syndicate against adverse interest rate movements beyond the current Syndicate term. The ability to manage debt remains constrained by the other provisions of the Constitution.

**7(b)**

**Is there a similar or corresponding amendment proposed for the Investment Trust?**

**Answer:**

As the borrowings for the purpose of the Syndicate are taken out by the Property Trust (other than initial Investor borrowings) there is no requirement or proposal for a similar or corresponding amendment to the Investment Trust Constitution.

**Question 8:**

**Ability for Future Equity Raising**

**8(a)**

**Why does the Responsible Entity propose this amendment?**

**Answer:**

At the time of investment it was not considered that it would be required for the Syndicate to raise further equity. This was reflective of the syndicate market at that time. Additional funding needs of syndicates such as this (e.g. for improving, refurbishing or maintaining the property of the Syndicate), were traditionally met by debt.

However, circumstances may arise (such as improvements or redevelopments) where appropriate debt funding may be difficult to acquire or funding by way of additional equity would be preferable. The Responsible Entity therefore believes that it is appropriate that each Trust be able to raise funds in these circumstances by way of equity.

**8(b)**

**How would any proposed equity raising take place?**

**Answer:**

Any additional equity raising will take place in the form of a pro-rata issue of units to existing Investors of the Trusts, the issue price being not less than 50% of the then current Unit Value (Net Asset Backing). It will not be compulsory for Investors to accept this offer, or to accept it in full. However an Investor's proportional holding in the Trust will be diluted if or to the extent that the Investor chooses not to participate. If Investors choose not to participate, or only to participate in part, then the shortfall will be offered to those Investors who have elected to participate on a pro-rata basis. If any equity then remains unsubscribed, it may be offered to Centro Properties Group (or entities it manages or controls) on the same terms.

**8(c)**

**Will the raising of additional equity create any adverse implications for Investors?**

**Answer:**

Any proposed equity raising of a Trust will only proceed if it is in the best interests of Investors. The ability to raise additional equity remains constrained by the duties and requirements pursuant to the Constitutions and the Corporations Act. For example, the Responsible Entity is not permitted to use equity raised for purposes that are not related to each Trust.

**8(d) What are the Responsible Entity's present intentions for raising more equity?**

**Answer:** The Responsible Entity has no intention to raise additional equity at the present time. It is anticipated that the proposed redevelopment of Lake Macquarie Fair Shopping Centre will be funded by additional debt.

**8(e) Is there a similar or corresponding amendment proposed for the Investment Trust?**

**Answer:** For Unitholders in the Investment Trust to participate in any equity raising of the Property Trust, the Investment Trust must participate as an Investor. Therefore, similar amendments are proposed to the Constitution of the Investment Trust so that in the event of an equity raising in the Property Trust, the Investment Trust will also conduct an equity raising on the same terms. Investment Trust Investors can elect to participate fully, partially or not participate in the Investment Trust equity raising. The Investment Trust will then in turn elect to participate in the Property Trust equity raising to the same extent.

**Question 9: Ability to merge with another Centro MCS Syndicate in the future.**

**9(a) Why does the Responsible Entity propose the ability to merge in the future with other Centro MCS syndicates?**

**Answer:** One way to mitigate any potential future risk associated with the Syndicate having only one property in the portfolio is to increase its diversification. Increased diversification generally mitigates risk by lowering exposure to volatility. This could be achieved through a merger with another syndicate or syndicates, which would result in a greater number of properties and retailers. Under the proposed changes, in order to facilitate debt arrangements for the merged entity, the Responsible Entity would also have the power to borrow or obtain other financial accommodation in order to lend that money to the responsible entity of the syndicate or trust who is the other party to the merger, and to guarantee its borrowings or provide indemnities in respect of such borrowings. Such debt arrangements must be in the best interests of Investors.

**9(b) What other Centro MCS syndicate could the Syndicate be merged with?**

**Answer:** The Syndicate could be merged with a number of other Centro MCS syndicates. Any merger would be on the basis of increased benefits to all merged syndicates through diversification that would result from the merger. In considering any merger proposal the Responsible Entity would take into account such things as the asset types, the risk profile, the present level of returns in the syndicates involved, the capital value of the syndicates involved, economies of scale and any risks associated with the merger.

**9(c) How are the interests of Investors protected?**

**Answer:** The amendments proposed by the Responsible Entity include a requirement that for any proposed merger, the Responsible Entity would obtain a report from a suitably qualified independent expert. The Responsible Entity will only be permitted to conduct the merger if the report of the independent expert concludes that it is in the best interests of Investors. In addition, the Responsible Entity remains obliged to exercise its powers in the best interests of Investors of the Syndicate pursuant to the Corporations Act.

**9(d) What would be the benefits and risks of a merger with another Centro MCS syndicate?**

**Answer:** The Responsible Entity expects that a syndicate merger would provide benefits to Investors in each of the merged syndicates. These benefits include:

- Significantly increased property and tenant diversification benefits;
- Increase in total syndicate size. This would potentially provide the merged syndicates with additional economies of scale when negotiating with suppliers, (particularly financiers), along with savings in syndicate expenses.

However, there may also be risks with a potential merger. A merger will only proceed if the Responsible Entity believes, supported by an independent expert's report, that it is in the best interests of Investors. There can be no guarantee that the forecast returns for any proposed merged vehicle, (both in income and capital growth), will be achieved.

**9(e) What are the Responsible Entity's present intentions with regard to a Syndicate merger.**

**Answer:** The Responsible Entity does not have any present intentions to merge the Syndicate with any other syndicate.

**9(f) Is there a similar or corresponding amendment proposed for the Investment Trust?**

**Answer:** As the Investment Trust operates solely as an investor in the Property Trust, there is no proposal that the Investment Trust be able to merge with any other syndicate. Administrative amendments to the Investment Trust Constitution are proposed which will enable the Investment Trust to continue to invest in the Property Trust in the event of a merger.

**Question 10: The ability to acquire associated, related or adjoining land.**

**10(a) Why does the Responsible Entity propose this change?**

**Answer:** The Responsible Entity believes that it is necessary for the Property Trust to have the ability to acquire other property where such property is associated, related to or adjoining a property within the Property Trust. This ability allows the Responsible Entity to strategically manage opportunities or threats that arise. In today's competitive property market, the Responsible Entity believes that such an ability would result in the Property Trust being able to act quickly on opportunities to acquire strategically valuable properties.

Without this amendment, Investor approval would be required for acquisition of any additional such land. Obtaining Investor approval would require that a meeting of Investors be held, with notice of at least 21 days to be given. This would mean that any negotiations may need to be conducted on a conditional basis, which is likely to put the Syndicate at a competitive disadvantage.

**10(b) Is there a similar or corresponding amendment proposed for the Investment Trust?**

**Answer:** As the only investment of the Investment Trust is Units in the Property Trust, there is no corresponding or similar amendment proposed for the Investment Trust.



**Question 11:**

**11(a)**

**Amendment of fees**

**What are the proposed amendments to the fees, and why is the Responsible Entity proposing them?**

**Answer:**

The amendments include an amendment to the fees payable to the Responsible Entity. The amendment provides for a performance fee to be payable on the current and future proposed rollovers as well as on termination of the Syndicate.

The Constitutions currently do not provide for continuous rollovers. Accordingly, they do not provide for fees to be payable to the Responsible Entity on rollovers. The reason for the suggested change is that work required in managing the Syndicate is not only recompensed via the annual management fees payable but has been contributed to significantly out of the application fee paid at commencement of the Syndicate. The fee structure reflected the expected seven year term of investment. As there will be no application fee should the Syndicate rollover for further terms, the proposed amendment would provide, for the fee that is currently payable on sale of the property, to instead be payable at the end of each syndicate term, or rollover, provided certain performance criteria are satisfied.

The proposal changes the criteria from that presently applying, being an increase in the value of the property, to an increase in the value of Investors' equity, including the value of any capital returned during the relevant investment period. This change ensures a proper measure of entitlement to such a fee, as an increase in property value may not necessarily provide a corresponding increase in Investor equity value.

The Responsible Entity is not proposing any change to the Constitutions with regard to the annual Management Fee. The Constitutions presently provide for this fee to be 1.25% of the gross asset value of each Trust. The prospectus for the Syndicate provided that during the first term of the Syndicate only, the Responsible Entity would waive a portion of this fee, and charge only 0.85% of the gross asset value of the Property Trust.

If the Rollover Proposal is approved and the Syndicate continues for a further period of investment, then for the next period of investment of the Syndicate, the Responsible Entity will continue to waive a portion of its annual Management Fee in the same way and will charge 0.85% of the gross asset value of the Property Trust. The financial forecasts set out in Section 3 of Part C reflect this waiver.

**Question 11(b) How do the proposed fee provisions compare to the existing fee provisions?**

**Answer:**

A comparison of fees for the Property Trust before and after the Resolution (if passed) is as follows:

Fee type	Fees during initial period of investment (December 98 – November 05)	Proposed Fees
Application/ Commencement Fees	Up front fees of \$1,713,000	No further application fees
Management	The Constitution entitles the Responsible Entity to charge a fee of 1.25% per annum of gross asset value. For the first period of the investment the Responsible Entity waived a portion of the fee and charged 0.85% per annum of the gross asset value of the Property Trust	The Constitution entitles The Responsible Entity to charge a fee of 1.25% per annum of gross asset value, however, if the Rollover Proposal is approved, then for the next period of investment, commencing on 30 November 2005, the Responsible Entity will continue to waive a portion and will charge 0.85% per annum of the gross asset value of the Property Trust.
Disposal	Payable on sale of the property at the end of the seven year term, on the following sliding scale:  If the sale price (after deduction of sale costs) exceeds the purchase price (including acquisition costs) by less than 2% of the purchase price (including acquisition costs), the Responsible Entity is entitled to a fee equal to the excess. If the excess is greater than 2%, the Responsible Entity is entitled to a fee of 2% of the net proceeds.	Payable on Rollover or sale:  If, at the end of a period of investment, including the current period of investment expiring on 30 November 2005, the value of Investors' equity (after allowing for disposal expenses and repayment of the loan and including the value of any capital returned during the period of investment) is greater than the value of the equity at the commencement of the relevant period, then the Responsible Entity will be entitled to receive a fee equal to 2% of the property valuation (after deduction of sale costs) representing a fee for the successful management of the Syndicate.  The above fee will be reduced to the extent necessary to ensure that payment of it does not result in the value of equity reducing to below that at the commencement of the relevant period of investment.
Custodian	Up to 0.1% per annum of gross asset value or \$5,000 per annum whichever is the greater.	\$5,000 per annum



**11(c) Is there a similar or corresponding amendment proposed for the Investment Trust?**

**Answer:** As there are no management fees presently payable in the Investment Trust, the proposed amendments for the Constitution of the Investment Trust do not contain any introduction of fees.

**Question 12: Why is the Resolution for the Investment Trust contingent on the Resolution for the Property Trust being passed?**

**Answer:** As the Investment Trust is an investor in the Property Trust its continuation is dependent on the continuation of the Property Trust. There would be no reason for the Investment Trust to continue for a further term if the Property Trust is wound up as, given the underlying property would be sold, the Investment Trust's capacity to earn income for its Investors would be removed.

**Question 13: How does the Investment Trust take part in the Property Trust meeting?**

**Answer:** The Investment Trust is an investor in the Property Trust. The Responsible Entity has proposed the resolution for the Investment Trust so that Investors in the Investment Trust can consider and vote on the Rollover Proposal. The Responsible Entity will then attend at the Property Trust meeting and vote on behalf of the Investment Trust. If the resolution for the Investment Trust is passed, then the Responsible Entity will vote for the resolution at the Property Trust meeting, and will vote against it if the resolution at the Investment Trust meeting is not passed.

The above questions and answers provide the Responsible Entity's explanation for the resolutions being put to the meetings of Investors.

Any Investor who has any further queries should contact Centro MCS Investor Services on (Toll Free) 1800 802 400 (or +61 3 8847 0000 for international callers).

## PART C – ROLLOVER MATERIAL

### SECTION 1: How does the Rollover Proceed?

Part A of this Explanatory Memorandum provides notices of meetings of Investors. Among the amendments being introduced by the resolutions is a proposal to introduce the following method of extending the Syndicate, which is in line with the standard Centro rollover mechanism:

- a. At least three months before the scheduled expiry date of the Syndicate, the Responsible Entity writes to all Investors advising whether the Syndicate should be continued for a further fixed period.
- b. If the Responsible Entity recommends continuation of the Syndicate then, at the same time, the Responsible Entity provides Investors with all the information the Investors may reasonably require to evaluate the extension or rollover proposal.
- c. Investors who wish to exit the Syndicate are able to nominate to have their interests acquired by Centro or its nominee at the Exit Unit Value, pursuant to a “put” (sell) option.
- d. Centro will pay for those units by cash or by the issue of Centro Stapled Securities issued at a 0.5% discount to the weighted average of the previous 10 days market price of all Centro Stapled Securities (please note that for this November 2005 rollover, Centro will pay by way of cash).
- e. If any Investors “put” (sell) their units to Centro, then Centro is entitled to “call” (buy), or acquire, all other units on issue, or a specified percentage of them. Please note however, that for the current Rollover, (i.e. November 2005) Centro will not consider exercising its call (buy) option unless the number of Units put is at least 20% by value of all Units on issue across both the Property Trust and the Investment Trust combined.
- f. This procedure will apply again at the end of the next and all future terms of the Syndicate.

This material in Part C of this Explanatory Memorandum is being provided to you in anticipation of the approval of the Resolutions, and satisfies the requirements of this proposed rollover method.

The Responsible Entity believes that, provided the proposed amendments to the Constitutions contained in the resolutions are approved, then the Syndicate will have the appropriate structure in place for the Syndicate to continue. In that case, the above procedure will apply. The Responsible Entity has included the information in Part C of this Explanatory Memorandum to implement the procedure in that event.

The Exit Unit Value that applies at the scheduled Syndicate termination date, 30 November 2005, is \$1.0465. The calculation of this value is set out in Section 2.

#### What do I do if I wish to exit?

If you wish to exit the Syndicate, then you are able to do so by exercising the put (sell) option that will be introduced as part of the flexible Exit Mechanism if the resolutions are passed. In that case, you will need to complete the enclosed Put Option Form. You will have over four weeks from the date of the meeting to exercise your put (sell) option (the Put Option Period). To be effective, your completed Put Option Form must be received by Centro by **31 October 2005**.

Your Units will then be acquired by Centro or its nominee for cash at the Exit Unit Value (see Section 2).



**For Investors wishing to exit the Syndicate the Put Option Form should be completed and returned to Centro in the enclosed envelope provided for this purpose by 31 October 2005.**

Instructions for completing the Put Option Form are set out on page 32. Please note that if you wish to take advantage of the put (sell) option in the event that the resolutions are approved at the meetings of Investors, you do not have to wait until after the meetings in order to complete and return the Put Option Form. You may do so before the Meetings are held, and if the Resolutions are approved, then your Put Option will become effective.

**When will the transfer of Units and payment of proceeds occur?**

The transfer of Units will occur on the scheduled expiry date of the Syndicate being 30 November 2005, or earlier if practicably possible, and your cheque will be sent to you as soon as possible after the transfer has occurred.



## SECTION 2: Exit Unit Value of Interests as at 30 November 2005

The Responsible Entity has calculated the Exit Unit Value for each Trust at the rollover date of 30 November 2005 to be \$1.0465 for each \$1.00 of original equity subscribed. This Exit Unit Value **includes** the anticipated distribution for the month of November 2005.

In calculating the Exit Unit Value, the Responsible Entity obtained two independent valuations of the Lake Macquarie Fair Shopping Centre, from experienced retail valuers, Savills and m3property. These valuations were within 1.60% of each other. The Responsible Entity has used the average of these, being \$45,150,000, in determining the Unit Value.

The calculation of the Exit Unit Value has included selling costs such as agency fees and legal fees that would be incurred upon a sale of the property. Whilst such costs are not incurred on a rollover, for exiting Investors to be treated equally with remaining Investors, the value of the equity on exit must reflect the sale of the property. Similarly, fees payable to the Responsible Entity on rollover are also taken into account.

The calculation of Exit Unit Value as at 30 November 2005 is set out below:

<b>Value of Syndicate assets</b>		
Valuation of Lake Macquarie Fair	\$45,150,000	
Less Working Capital *	(\$1,076,664)	
Less provision for distribution	(\$136,430)	
<b>Sub total</b>	<b>\$43,936,906</b>	
<b>Less</b>		
Responsible Entity fee payable on rollover/ sale of the property – 2% of the value of the property less sale costs. **	\$889,455	
Approx costs on sale. ***	\$677,250	
<b>Sub total</b>	<b>\$42,370,201</b>	
<b>Less</b>		
Debt repayment	\$21,450,000	
	<b>\$20,920,201</b>	
Divide by original equity		\$20,120,117
<b>Unit Value (excluding distribution)</b>		<b>\$1.0398</b>
Increase by unpaid distribution for the month of November 2005	\$136,430	
<b>Balance</b>	<b>\$21,056,631</b>	
Divide by original equity		\$20,120,117
<b>Exit Unit Value (including distribution)</b>		<b>\$1.0465</b>

### NOTES

\* Includes receivables, payables and provisions.

\*\* Investors will be asked to vote on amending the Constitution in relation to changing the disposal fee as defined in the prospectus, to a rollover fee at the meeting of Investors scheduled for 27 September 2005. Irrespective of the outcome of the meeting the Exit Unit Value of each Unit on exit must reflect the sale of the property. These fees are based on the valuation of \$45,150,000 less estimated sale costs of \$677,250.

\*\*\* Whilst agency fees, advertising and other sale costs are not incurred on a rollover, for exiting Investors to be treated equally with remaining Investors, the Unit Value on exit must reflect the sale of the property. This estimate is based on our experience in relation to the disposal of similar properties.

## Lake Macquarie Property Trust Unit Value Reconciliation

The Lake Macquarie Property Trust was initially funded with 49% of equity provided from Investors' funds and 51% of debt provided through a limited recourse loan.

For each \$1.00 of Investor equity subscribed, Investors were issued with one equity funded Unit and approximately 1.017 debt funded Units i.e. 2.017 Units. A total of 40,585,180 equity funded and debt funded Units were issued.

At 30 November 2005 each Unit is expected to be worth \$1.0398, or \$1.0465 including accrued distributions as set out below.

<b>Unit Value Reconciliation Table</b>		
<b>Projected 30 November 2005</b>	<b>'000</b>	<b>'000</b>
1. Number of equity funded Units issued	20,120	
2. Number of debt funded Units issued	20,465	
3. Lake Macquarie total number of Units on issue		40,585
4. Property Trust net assets		\$42,370
<b>Reconciled Unit Value at Rollover date (4 divided by 3)</b>		<b>\$1.0398</b>
5. Add unpaid distribution for 30 November 2005		\$136
6. Less total Investors borrowings (including debt Units)		\$21,450
<b>Exit Unit Value (including unpaid distribution) ((4 plus 5 less 6) divided by 1)</b>		<b>\$1.0465</b>

## Lake Macquarie Investment Trust Unit Value Reconciliation

The Lake Macquarie Investment Trust was established to allow complying superannuation funds and other Investors who did or could not borrow to participate in the Syndicate. All borrowings were undertaken at the Property Trust level and for each \$1.00 of Investor equity subscribed, Investors were issued with a \$1.00 equity funded Unit.

At 30 November 2005 each Unit is expected to be worth \$1.0398, or \$1.0465 including accrued distributions, as set out below.

<b>Unit Value Reconciliation Table</b>	
<b>Projected 30 November 2005</b>	<b>'000</b>
1. Number of Units issued	7,407
2. Investment Syndicate net assets	\$7,700
<b>Reconciled Unit Value at Rollover date (2 divided by 1)</b>	<b>\$1.0398</b>
3. Add unpaid distribution for 30 November 2005	\$50
4. Exit Unit Value at Rollover date ((2 plus 4) divided by 1)	\$1.0465
<b>Exit Unit Value (including unpaid distribution) ((2 plus 3) divided by 1)</b>	<b>\$1.0465</b>

## SECTION 3: Financial Forecasts

The financial forecasts are calculated as follows:

### FINANCIAL FORECASTS

	Notes	Year to 31/12/06
		\$000's
<b>Income</b>		
Lake Macquarie Fair Shopping Centre	1	3,793
Interest	2	17
<b>Total Income</b>		<b>3,810</b>
<b>Expenses</b>		
Interest	3	1,482
Management fees	4	394
Accounting & audit fees	5	15
Registry fees	6	33
Other expenses	7	41
<b>Total expenses</b>		<b>1,965</b>
Transfer from (to) reserves	8	(240)
<b>Distribution</b>		<b>1,605</b>
Distribution net yield from 1 Dec 2005	9	<b>8.00%</b>
Tax advantaged component of distribution	10	<b>82.95%</b>

Key assumptions used in the preparation of the financial forecasts are summarised below:

1. Net income from the Lake Macquarie Fair Shopping Centre reflects estimates of expected outcomes from lease renewals and leasing of some existing vacancies based on the Responsible Entity's knowledge and experience of the Lake Macquarie Fair and the competitive environment in which it operates. Appropriate rental underpinning has been reflected in the forecast during the development period (Feb 06 to Dec 06).
2. Interest income is calculated at 4.0% p.a. on credit balances.
3. Interest expense is calculated at an average rate of 6.65% p.a. from the expiry of existing facilities from 30 November 2005 for five years. As an indicator, current five year borrowing rates are approximately 5.80% which with an expected banker's margin of 0.85% would give an overall rate of 6.65%. The Responsible Entity expects to enter into a fixed term hedge for the full Syndicate debt for a five year term through an interest rate swap. This level of gearing is within the financier's loan to value ratio covenant of 66.67%. The Responsible Entity has made initial enquiries with financiers for a further Syndicate term although no finance facility arrangements have been agreed. As such no guarantees can be provided that these forecasts will be achievable.
4. The Responsible Entity's management fee is calculated at 0.85% of gross assets from the Rollover date.
5. Recurring accounting and audit fees have been forecast to increase by 5% p.a.

6. Registry fees have been forecast to increase by 5% p.a. However, the total cost of registry fees is forecast to decrease considerably from December 2005, as a result of changing the frequency of distributions from monthly to quarterly.
7. Includes legal fees, bank charges, annual report costs, consultant fees and miscellaneous expenses.
8. Funds transferred (to)/from capital reserves to assist cash flow and to be applied to future distributions.
9. The forecast net distributions have been shown as a percentage return on the original amount of equity invested from 1 December 2005 to 31 December 2006.
10. This is the average tax advantaged rate of distributions made by Lake Macquarie Property Trust (after eligible interest deductions available to investors) for the year ended 30 June 2006 (being 90.27%) and 30 June 2007 (being 75.62%). The component of tax advantaged distributions includes tax deferred income, interest and borrowing cost deductions. The tax advantaged percentage for the year ended 30 June 2005 (after interest and borrowing cost deductions available to investors) was 67.36%.

## Distributions

Investors who elect to rollover their investment will receive the November 2005 monthly distribution of 8.25% on original equity in mid December 2005.

Exiting Investors at rollover will receive their November 2005 distribution with their return of equity on 30 November 2005.

Quarterly distributions will be introduced commencing 1 December 2005 forecast to be at a rate of 8.00% p.a. on the remaining initial equity of \$1.00. This distribution is equivalent to a rate of 7.69% on the Unit Value at rollover of \$1.04.

Distributions have been maintained since 2002 at 8.25%, which the Responsible Entity considers is not sustainable, given the level of expenditure required simply to maintain the property.

## Other Assumptions

Other assumptions used in preparing the financial forecasts include:

- Returns have been calculated on the value of the initial equity;
- That there are no material changes in the indirect and direct tax regime other than those already announced or the subject of draft legislation; and,
- That there are no changes to regulations and legislation that would have a material impact on this investment.

## Accounting Policies

The accounting policies used in the preparation of the financial forecasts are consistent with the accounting policies adopted by the Syndicate in its financial statements for the year ended 30 June 2005.

Australian equivalents to International Financial Reporting Standards ("AIFRS") will apply to reporting periods beginning on or after 1 January 2005. For the Syndicate, the first financial year where AIFRS will apply is the year ending 30 June 2006.

Areas where the Responsible Entity expects the adoption of AIFRS may have an impact on the future financial results of the Syndicate include;

- **Straight lining of rent** – income expected to be derived from increases in rent pursuant to review terms of existing leases may need to be recognised on a straight line basis over the term of the lease;
- **Amortisation of Lease Incentives** – the cost of all lease incentives will be amortised over the term of the lease and recognised as an expense in the Statement of Financial Performance;
- **Property Investments** – gains or losses arising from the revaluation of investment properties will be reflected in the Statement of Financial Performance;



- **Financial Instruments** – certain financial instruments will be recognised in the Statement of Financial Position at fair value; and,
- **Issued Capital and Distribution Payments** – issued capital will be reclassified as a financial liability and distribution payments as borrowing costs.

The Syndicate's financial statements for the year ended 30 June 2005 provide further detail regarding the potential impact of adopting AIFRS on the Syndicate's future financial results.

Investors should note that the net cash flow from operations and future distributions of the Syndicate will not be affected by the adoption of AIFRS despite the likelihood of increased volatility in future financial results.

Due care and attention has been given to the preparation of the financial forecasts. However, forecasts by their very nature are subject to significant uncertainties and contingencies, many of which are outside the control of the Responsible Entity. There can be no guarantee or assurance that the financial forecasts will be achieved, and actual results may vary significantly from the financial forecasts. None of the Responsible Entity, Centro Properties Group, or their associates or Directors guarantees the success of the Syndicate, the repayment of capital or any particular rate of capital or income return.

The financial forecasts have been independently reviewed by our advisers, Chartered Accountants, Moore Stephens.





## SECTION 4: Taxation Information

### 4.1 Impact on Cost Base

The table below shows the estimated cost base per Unit at the Rollover date of 30 November 2005, assuming subscription at the commencement of the Syndicate, and based on the reductions resulting from receiving tax deferred distributions to the Rollover date.

**Table A Cost Base Reconciliation**

	Lake Macquarie Property Trust (\$)	Lake Macquarie Investment Trust (\$)
Original cost base per Unit	1.000	1.000
Less total tax deferred ("TD") distributions to the Rollover date	(0.193)	(0.426)
<b>Adjusted (Reduced) Cost Base as at Rollover date</b>	<b>0.807</b>	<b>0.574</b>

- Lake Macquarie Property Trust**

It is estimated that Investors in the Property Trust will continue to receive tax advantaged benefits for the next seven years, without causing their cost base to be fully eroded. At the time when their cost base is fully eroded, any subsequent distributions from the Trust will be taxable as capital gains; however a 50% CGT discount concession is available to certain types of Investors (e.g. resident individuals).

- Lake Macquarie Investment Trust**

It is estimated that Investors in the Investment Trust will continue to receive tax advantaged benefits for the next seven years, without causing their cost base to be fully eroded. At the time when their cost base is fully eroded, any subsequent distributions from the Trust will be taxable as capital gains; however a 50% CGT discount concession is available to certain types of Investors (e.g. resident individuals).

### 4.2 Capital Gains Tax ("CGT") for Investors Exiting at Rollover

Investors who choose to rollover their investment in the Syndicate will not be subject to CGT because Investors will not be disposing of those investments. For those Investors who elect to exit the Syndicate, it will give rise to CGT implications.

The following table outlines the estimated capital gains for the Investors in the Property Trust and the Investment Trust. The estimates have been based on the Reconciled Unit Value at Rollover date and the reduced cost base estimates (see Table B). Please note that the following information is only relevant for Australian tax residents that hold their interests as capital assets.

**Table B Capital Gains Calculations**

	Lake Macquarie Property Trust	Lake Macquarie Investment Trust	
	Individual with marginal tax rate of 48.5% (\$)	Individual with marginal tax rate of 48.5% (\$)	Complying Superannuation Fund (\$)
1. Reconciled Unit Value at Rollover date	1.040 <sup>(1)</sup>	1.040 <sup>(2)</sup>	1.040 <sup>(2)</sup>
2. Less Reduced Cost Base (see Table A)	(0.807)	(0.574)	(0.574)
3. Estimated capital gain per Unit on exiting the Syndicate	0.233	0.466	0.466
4. Less discount concession <sup>(3)</sup>	(0.117)	(0.233)	(0.155)
5. Net capital gains after discount concession (per Unit)	<b>0.116</b>	<b>0.233</b>	<b>0.311</b>

Example			
Assuming an Investor invested \$10,000 of equity in the Syndicate the financial impact is:			
6. Original equity investment	\$10,000	\$10,000	\$10,000
7. Number of Units issued	20,172	10,000	10,000
8. Net capital gain on exiting the fund (item 5 x item 7)	\$2,340	\$2,330	\$3,110
9. Tax rate	48.5%	48.5%	15%
10. Tax payable (item 8 x item 9)	\$1,134.90	\$1,130.05	\$466.50

(1) Refer to Unit Value Reconciliation Table on page 19

(2) Refer to Unit Value Reconciliation Table on page 19

(3) Assuming Units were held for more than 12 months. The 50% discount concession is only available for individual resident investors and trusts. Complying superannuation funds are entitled to a one-third discount of the capital gain. No discount concession is available for companies. The calculations of the discount concession have been rounded to 3 decimal places only.

## How much of the capital gain is taxable in your hands?

### Lake Macquarie Property Trust

Where the investment is held in the name of an individual or a trust for more than 12 months, an Investor may be entitled to a 50% capital gain concession, in which case the component of the discounted capital gain is estimated to be \$0.116 for each equity funded and debt funded Unit. Where an investment is held in the name of a company, or you are otherwise unable to access the concessions available as above (such as where you have existing capital losses), you may apply the indexation option, in which case the capital gain is estimated to be \$0.220 for each equity funded and debt funded Unit.

The actual tax payable by you on the capital gain will, of course, depend on the tax rate applicable to you and the structure in which your investment is held.

## Lake Macquarie Investment Trust

Where the investment is held in the name of an individual or a trust for more than 12 months, an Investor may be entitled to a 50% capital gain concession, in which case the component of the discounted capital gain is estimated to be \$0.233 for each equity funded Unit. For complying superannuation funds, where the investment is held for more than 12 months, the fund may be entitled to a 1/3 capital gain concession, in which case the component of the discounted capital gain is estimated to be \$0.311 for each equity funded Unit.

Where your investment is held in the name of a company, or you are otherwise unable to access the concessions available as above (such as where you have existing capital losses), you may apply the indexation option, in which case the capital gain is estimated to be \$0.454 for each equity funded Unit.

The actual tax payable by you on the capital gain will, of course, depend on the tax rate applicable to you and the structure in which your investment is held.

### Qualifications

The above estimates are based on forecasts. Forecasts by their nature are subject to changes. As always, we recommend that you obtain your own independent taxation advice before making any decision on the Rollover.

The above estimates have been independently reviewed by our advisers, Chartered Accountants, Moore Stephens.

## SECTION 5: Development of Lake Macquarie Fair

The Centro Development Team has spent considerable effort in finding a suitable development solution for Lake Macquarie Fair Shopping Centre over a number of years. The work has involved discussions with Council, the renegotiation of the majors' leases, the complex 'land-swap' negotiations to allow for the relocation of the child care facility, and thorough retail planning for a complex development.

Lake Macquarie Fair Shopping Centre has strong retail fundamentals, with the Woolworths and Big W combined sales currently totalling over \$60 million per annum. However, with no refurbishment or extensions having been undertaken at the Centre since its original construction in 1985, the Centre is now 20 years old and in need of major refurbishment. Management believe that in order to minimise disruption for retailers and customers, the opportunity to complete the non-income producing capital works (which includes mall upgrade and car-park resurfacing) be undertaken at the same time as the redevelopment works. The works are considered necessary in order to retain and improve speciality rentals, and to allow the Centre to continue to grow in an increasing competitive environment.

At the end of their initial 20 year leases in March 2005, Woolworths and Big W exercised the first of their 5 year lease options. New 15 year commercial lease terms have been agreed in principle with both retailers on the basis the proposed development proceeds. Management believes, however, that unless all the required works at Lake Macquarie Fair are undertaken in the near future, Big W will vacate the Centre in 2010.

The planned development, which currently includes the provision of a new food court, additional specialities, an expanded Woolworths and complete refurbishment of the Centre, is expected to consolidate Lake Macquarie Fair Shopping Centre as the dominant sub-regional centre for the local population.

Specifically, development plans are close to being finalised to:

- Add approximately 3,160 sqm of Gross Lettable Area, providing a new food court and additional specialities at the centre's frontage;
- Expand the Woolworths supermarket (approximately 570 sqm to 3,800 sqm);
- Negotiating and co-ordinating a land-swap with Council, together with relocation of the existing child care facility;
- Create two major centre mall entrances and a new facade;
- Upgrade existing malls;
- Provide improved pedestrian access from the basement car park; and
- Complete resurfacing, upgrade and realignment of the ground level car park.

Based on the above and current projections, the total project cost is anticipated to be in the order of \$26.5 million inclusive of operational capital expenditure allowances for major tenant incentives, car park upgrades and general refurbishment works.

### Development Approvals

Development plans have been lodged with Council and have been given 'in principle' support. Development approval is anticipated to be granted by January 2006, including approval to relocate the child care centre with construction commencement anticipated for February 2006.

### Expectations Post Development

If these capital works are undertaken and the leasing program achieves the anticipated rental levels. Syndicate NAB growth is anticipated. The Responsible Entity anticipates that distributions would continue at a level around that forecast for 2006.

## Risks

There are risks associated with any development relating to completing all works on time and on achieving budget for both new leases and development expenditure. The Centro development and leasing team have reviewed the feasibility assumptions and have employed consultants to undertake necessary cost reviews where required. The development financial forecast has been based on this feasibility and assumes there is no material change in the known competitive landscape in which this shopping centre operates.

The construction and redevelopment works will be contracted to experienced consultants to ensure as far as possible that the works are completed in accordance with specifications, on time and within budget. However, there are always risks attached to building works in the form of delays, cost overruns, changes to proposed tenancies and prospective tenancies and risks relating to the quality of work performed.

Investors should also note that, despite the present plans and intentions of the Responsible Entity, it is possible that the development will not proceed. This may happen for a number of reasons, such as the failure of Council to provide Development Consent, or unexpected and unfeasible cost increases. Whilst the Responsible Entity does not consider that this is likely, in the event that a redevelopment could not proceed that would ensure the continued support of the major tenants, it would be the intention of the Responsible Entity to sell the property and terminate the Syndicate. Before doing so, the Responsible Entity would pursue all reasonable avenues of completing the redevelopment, or otherwise ensuring that the value of the Centre is maintained.

## Conclusion

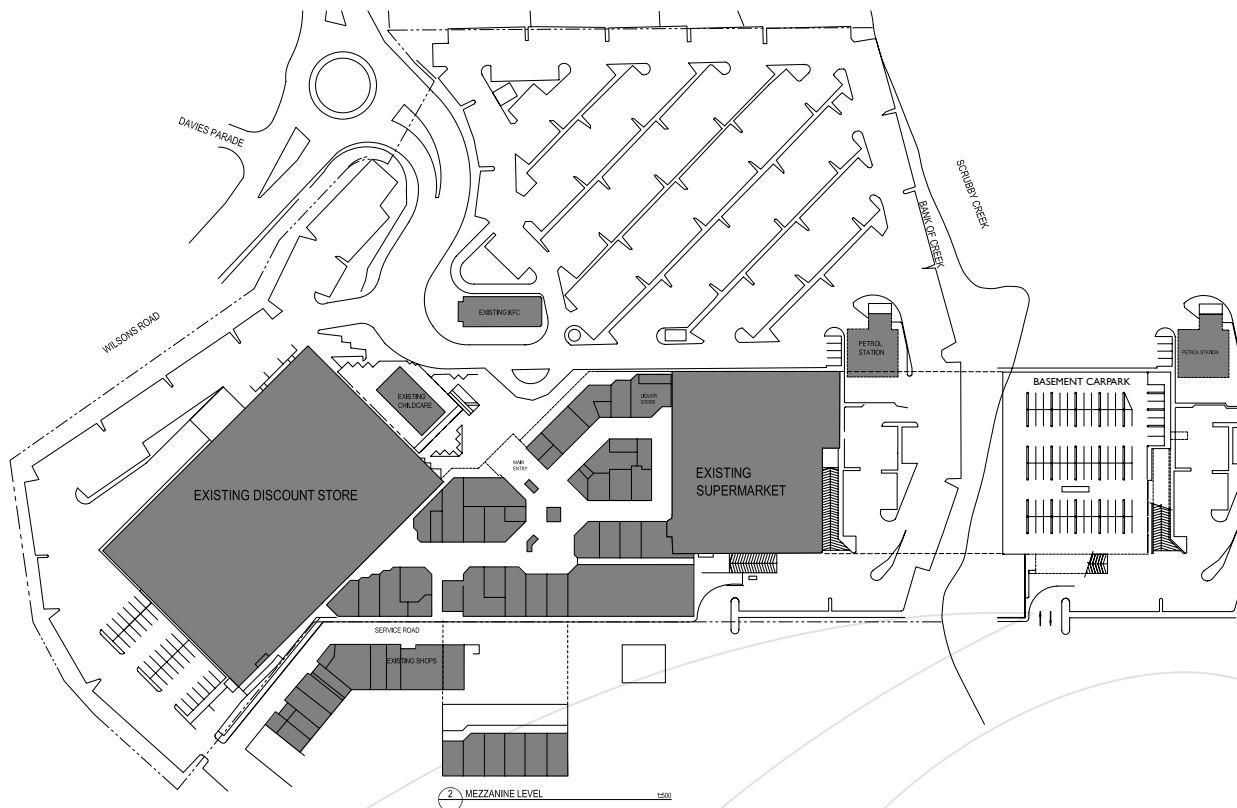
The development of Lake Macquarie Fair Shopping Centre is considered by management an essential element in maintaining its value, and providing a strong base for its future. It is considered critical for the future strategy of the Centre and integral to the performance of the Syndicate.

## Development Plans

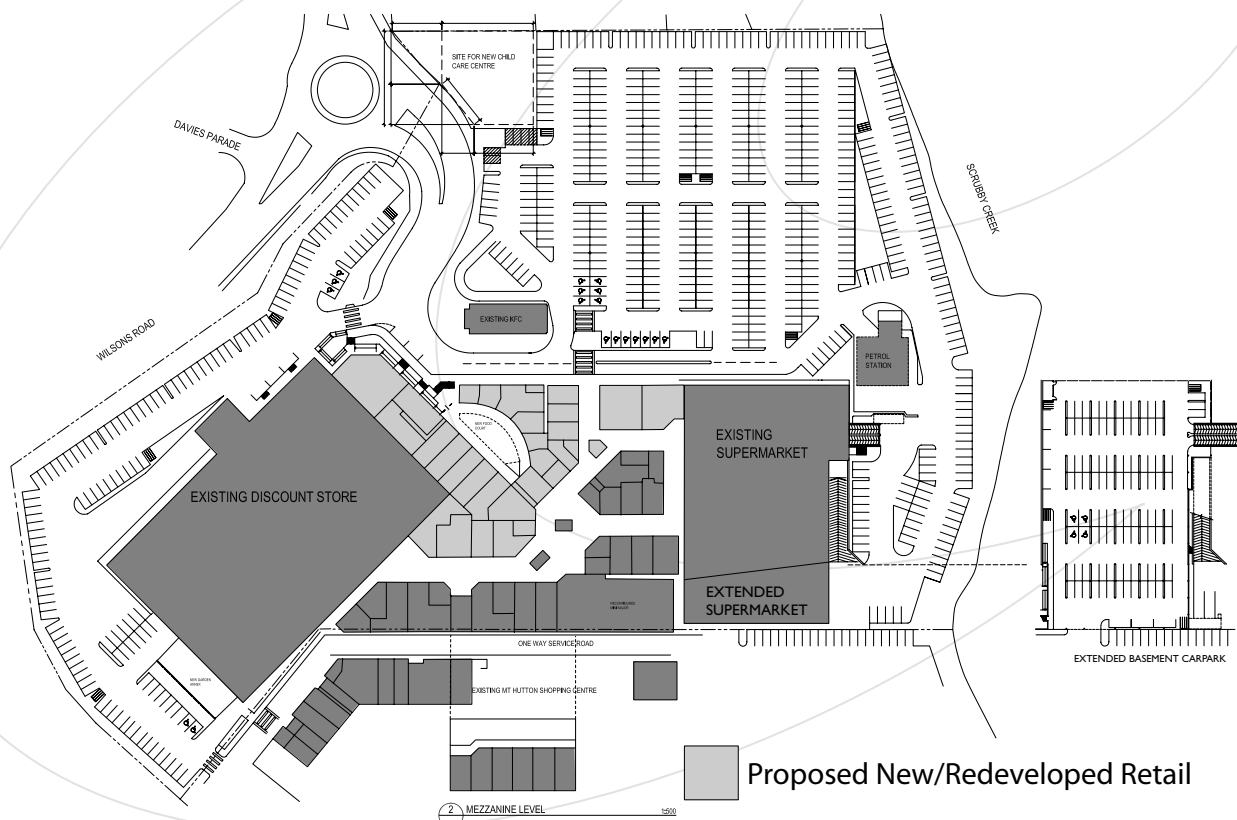
The following pages show the draft proposed development plans.



## Existing Centre Plan



## Proposed Development



## SECTION 6: Additional Information

### Inspection of Documents

A copy of the Constitutions with proposed amendments marked up will be available for inspection during normal business hours free of charge at the registered office of the Responsible Entity.

### Keeping You Informed

The Responsible Entity seeks to ensure that Investors are kept duly informed on the status of their investment. Information regarding each Trust is available on the website: [www.centro.com.au/centromcs](http://www.centro.com.au/centromcs). Investors seeking information on their holding can contact:

#### Investor Services

Corporate Offices, Level 3  
Centro The Glen, 235 Springvale Road  
Glen Waverley, Victoria, 3150  
Telephone: (Toll Free) 1800 802 400  
International: +61 3 8847 0000  
Facsimile: +61 3 9886 1234

### Questions About Privacy

If you have any questions or queries about the privacy of your information please contact our Privacy Officer in writing to the address below:

#### Privacy Officer

CPT Manager Limited  
Corporate offices, Level 3  
Centro The Glen 235, Springvale Road  
Glen Waverley, Victoria, 3150

If your complaint is not resolved by us to your satisfaction, you may write to the Privacy Commissioner at GPO Box 5218, Sydney, NSW, 2001

### Disclaimer

This Explanatory Memorandum contains important information and you should read it carefully. In preparing this document the Responsible Entity has not taken into account the investment objectives, financial situation or particular needs of any particular person. Before making any decisions, Investors should consider whether it is appropriate to their needs, objections and circumstances. Investors are encouraged to obtain independent financial advice in relation to the matters discussed in this Explanatory Memorandum.



## SECTION 7: Definitions

### ASIC

Australian Securities & Investments Commission.

### ASX

The Australian Stock Exchange Limited (ABN 98 008 624 691).

### Centro

Centro Properties Limited (ABN 45 078 590 682) and, in relation to the flexible Exit Mechanism, includes its nominee.

### Centro MCS Syndicate

A syndicate that is managed by a Centro Properties Group entity.

### Centro Properties Group

Centro and Centro Property Trust (ARSN 091 043 793) and all other entities controlled by each of them.

### Centro Stapled Securities

Securities of the Centro Properties Group traded on the ASX which comprise one unit in Centro Property Trust and one share in Centro, stapled together.

### Constitution(s)

Lake Macquarie Investment Trust Constitution lodged with ASIC (as amended) and/or the Lake Macquarie Property Trust Constitution lodged with ASIC as amended), as the context requires.

### Constitutional Amendments

The amendments to the Constitutions as proposed by the Responsible Entity and as explained in Part B.

### Exit Mechanism

The “put” and “call” option mechanism, details of which are summarised in the answer to Question 6(b) of Part B Section 2.

### Exit Unit Value

Unit Value plus accrued distributions which the Responsible Entity and Centro believe is a fair estimate of the value of a Unit.

### Interests

Interests (Units) in respect of the Lake Macquarie Investment Trust or the Lake Macquarie Property Trust, as the context requires.

### Investment Trust

Lake Macquarie Investment Trust ARSN 090 930 742

### Investment Unitholder(s)

Unitholder(s) in the Investment Trust

### Investor(s)

Investors (unitholders) in the Investment Trust and/or Property Trust as the context requires.

### Meetings

The Investment Trust meeting and the Property Trust meeting.

### Net Asset Backing (“NAB”)

See “Unit Value” below

### Property Trust

Lake Macquarie Property Trust ARSN 090 931 230

### Property Unitholder(s)

Unitholder(s) in the Property Trust

### Put Option Period

The period in which Investors are able to exercise their put (sell) option, which for the rollover of 30 November 2005 expires on 31 October 2005.

### Resolutions

The resolutions to be considered at the Meeting as set out in the Notices of Meeting, and **Resolution** means either the resolution to be considered at the Property Trust Meeting or the resolution to be considered at the Investment Trust meeting as the context provides.

### Responsible Entity

CPT Manager Limited (ABN 37 054 494 307) in its capacity as Responsible Entity of the Property Trust and/or the Investment Trust, as the context requires.

### Rollover Proposal

The proposal to continue the Syndicate for a period of not more than 7 years provided that certain changes to the Constitutions are approved by Investors, as set out in Part B commencing on page 7.

### Syndicate

Centro MCS 24 comprising both the Investment Trust and the Property Trust.

### Trust(s)

The Investment Trust and the Property Trust means one of them, as the context requires.

### Unitholder(s)

Investor (s)

### Unit/s

Interest/s

### Unit Value (or Net Asset Backing) or NAB

The value per equity Unit is adjusted for property acquisition costs, structuring and establishment costs, exit and success fees, selling costs and deferred management fees. The Unit Value appropriately reflects the underlying value of the Investor equity by taking into account amortisation and accruals of set up costs and fees over the fixed term of the Syndicate. The Unit Value is also known as the net asset backing unit value or NAB. Please refer to the Centro MCS NAB Unit Valuation Policy on the Syndicate website: [www.centro.com.au/centromcs](http://www.centro.com.au/centromcs) for further information.



## PART D – MEETINGS AND HOW TO VOTE

### Venue, Date and Time

The meetings of Investors in Lake Macquarie Investment Trust and Lake Macquarie Property Trust will be held at:

**Centro The Glen,**

Level 3, 235 Springvale Road  
Glen Waverley, Victoria

On Tuesday 27 September 2005.

at 9.30 am for Lake Macquarie Investment Trust and at 11.00 am for Lake Macquarie Property Trust

### Voting Entitlement

Investors may vote by attending the meeting in person or by proxy.

Only those Investors holding Interests at 7.00 pm (Melbourne time) on 31 August 2005 will be treated as Investors of Lake Macquarie Investment Trust.

Only those Investors holding Interests at 7.00 pm (Melbourne time) on 31 August 2005 will be treated as Investors of Lake Macquarie Property Trust.

### Voting in Person

To vote in person, attend the meeting on Wednesday 27 September 2005.

### Voting by Proxy

To vote by proxy, please complete the personalised proxy form enclosed with this Notice of Meeting as soon as possible and return the form so that it is received no later than 48 hours before the relevant meeting.

- The form may be returned by reply paid envelope provided.
- Alternatively, the proxy form may be faxed to CPT Manager Limited on (03) 9886 1234 or (International + 61 3 9886 1234).

An Investor entitled to attend and cast two or more votes at the Meeting is entitled to appoint not more than two proxies, who need not be Investors, to attend, speak and vote in his/her place.

Where two proxies are appointed, a separate form should be used for each proxy and the Investor may specify the proportion or number of votes the proxy is appointed to exercise.

### Will Centro vote on the Resolutions?

The holdings of the Centro Properties Group is 288,020 units (3.89%) in Lake Macquarie Investment Trust and 1,474,697 units (7.33%) in Lake Macquarie Property Trust. For these holdings the relevant Centro Properties Group holding entity will not vote at the meeting. This is because of the inclusion in the resolutions of the flexible Exit Mechanism, which in some circumstances provides a call option to Centro, and the proposed fee changes, and accordingly Centro Properties Group has a direct interest in the outcome of the meeting.



## PART E – PUT OPTION AND HOW TO EXERCISE

If the Resolutions are approved, then the flexible Exit Mechanism will immediately come into effect. This means that those Investors wishing to take advantage of the flexible Exit Mechanism will need to complete the Put (Sell) Option Form that has been included with this material and return it to Centro in the envelope provided for the purpose.

### Time for exercising Put Option – “Put Option Period”

The Put Option Period will expire on 31 October 2005, and so all Put Option Forms will need to be received by Centro by that date.

Please note that if you wish to take advantage of the Put Option in the event that the resolution is approved at the relevant meeting of Investors, you do not have to wait until after the meeting of Investors in order to complete and return the Put Option Form. You may do so before the meeting is held, and if the resolution is approved then your Put Option will become effective.

### How to complete the Put Option Form

The Put (Sell) Option Form has been prepared with all of the information about your holding recorded. You should check those details and amend them if necessary.

If you wish to exercise your Put (Sell) Option, please amend the form if necessary and then sign where indicated. If you wish to complete and send this form before the meeting of Investors on 27 September 2005, the Responsible Entity requests that you appoint the Chairman of the Meeting as your proxy to vote in favour of the resolution at the meeting. The outcome of the meeting will not affect your decision (that is, you have elected to exit and this will occur either by way of the flexible Exit Mechanism if the Resolutions are approved, or by wind up of the Syndicate if they are not).

Please note however, that if the resolution for the Investment Trust is not approved but the Resolution for the Property Trust is approved, Investors in the Investment Trust will not be able to take advantage of the flexible Exit Mechanism. Once completed, please return the Put Option Form in the envelope provided.

### When will the transfer of Units and payment of proceeds occur?

The transfer of Units will occur on the scheduled expiry date of the Syndicate of 30 November 2005, or earlier if this is possible, and your cheque will be sent to you as soon as possible after the transfer has occurred.





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## Investor Services

General Enquiries: 1800 802 400 (Toll Free Australia)

+61 3 8847 0000 (International)

Facsimile: +61 3 9886 1234

Email: [investor@centro.com.au](mailto:investor@centro.com.au)

Website: [www.centro.com.au/centromcs](http://www.centro.com.au/centromcs)



CPT Manager Limited  
Responsible Entity  
ABN 37 054 494 307



Centro MCS Manager Limited  
Responsible Entity  
ABN 69 051 908 984

