

Centro 2005 Capital Restructure - Taxation Guidance

[New CNP Securityholders](#) | [Former CEP Securityholders](#) | [Former PRX Securityholders](#)

7 September 2005

At the Annual General Meeting of Centro Properties Group ("Centro" or "CNP") to be held on 16 September 2005, Centro securityholders will be asked to vote on a proposal for a capital restructure of the Centro Properties Group (the "Capital Restructure").

Details regarding the Capital Restructure are contained in the Notice of Annual General Meeting dated 18 August 2005 (Items 1 and 2 of Special Business) and the accompanying Explanatory Memorandum.

If approved, the Capital Restructure will take effect at 7pm on Friday 14 October 2005.

This summary provides information for Centro securityholders regarding the Capital Restructure and the consequent taxation implications for them. Centro anticipates that for most securityholders, the Capital Restructure will have no material adverse taxation implications.

Summary of Capital Restructure

Each Centro stapled security comprises one share in CPL and one unit in Centro Property Trust ("CPT"). Under the Capital Restructure proposal:

- CPL will return share capital of 75 cents per share to each Centro securityholder in their capacity as a CPL shareholder;
- Each Centro securityholder in their capacity as a CPT unitholder will then subscribe 75 cents per unit to CPT by way of an additional capital contribution on their existing CPT units; and
- The number of CPL shares and CPT units held by each Centro securityholder will not change.

Centro securityholders will receive no actual cash distribution from CPL (and will make no actual payment to CPT) as the share capital returned will automatically be applied towards the capital contribution on the CPT units.

Taxation Implications for Centro Securityholders

The following information is of a general nature provided by way of guidance to Centro securityholders, and does not constitute taxation advice. Centro recommends that you obtain independent taxation advice regarding the consequences to you of the Capital Restructure.

However, Centro believes that, for most investors, the Capital Restructure should not result in any material tax liability nor will it reduce the aggregate Capital Gains Tax ("CGT") cost base of stapled securities.

The following assumes that you hold your Centro securities on capital account and are an Australian resident for Australian taxation purposes.

Step 1 - CPL Capital Return

The Australian taxation implications of the CPL capital return are generally as follows:

- The capital return (75 cents per CPL share) is not a taxable dividend.
- The capital return will reduce the cost base for CGT purposes of each CPL share:
 - Generally, by 75 cents; or
 - Where the 75 cents exceeds the cost base of your CPL share, then the cost base will reduce to nil and a capital gain equal to the excess will arise.

See below for further details as to how to work out the cost base of your CPL shares.

Step 2 - CPT Capital Contribution

The Australian taxation implications of the CPT capital contribution will generally be as follows:

- The cost base of each CPT unit will increase by 75 cents.

Overall Position

An investor's overall tax position will therefore depend upon whether the cost base of the CPL share component of their stapled security when acquired was equal to or greater than 75 cents.

The position can be summarised as follows:

	Scenario	Tax Consequences
1	Cost base of CPL share equals or exceeds 75 cents	<ul style="list-style-type: none"> • No CGT capital gain • No change in aggregate cost base of Centro stapled security: <ul style="list-style-type: none"> • Cost base of CPL share reduces by 75 cents • Cost base of CPT unit increases by 75 cents
2	Capital return of 75 cents exceeds cost base of CPL share	<ul style="list-style-type: none"> • CGT capital gain equal to excess arises • Capital gain may reduce by 50% (individuals, trusts) or by 1/3 (complying superannuation entities) • Cost base of CPL share reduces to nil • Cost base of CPT unit increases by 75 cents • Aggregate cost base of Centro stapled security increases by (pre-discount) capital gain amount (i.e. excess of 75 cents over cost base of CPL share)

What is the Cost Base of my CPL Shares and CPT Units?

Each CNP stapled security comprises one share in CPL and one unit in CPT. For taxation purposes, these represent separate CGT assets with separate cost base amounts.

In practice, investors who buy and sell CNP stapled securities are generally able to assess their CGT liability by reference to the aggregate cost base without needing to apportion that amount separately between the share and unit components. However, in the case of the Capital Restructure, it is necessary to apportion the overall cost base of each CNP stapled security between the CPL share and the CPT unit in order to work out the cost base of the CPL share relative to the capital return amount (75 cents).

The Australian Taxation Office ("ATO") has indicated that investors should perform this apportionment on a reasonable basis.

The manner of cost base apportionment between your CPL shares and CPT units will generally depend on how you originally acquired your CNP securities. This will have happened in one of the following three ways, and the implications for each is reviewed below – click on the heading that applies to your situation:

1. **New CNP Securityholders:** You acquired your CNP securities *on or after 8 October 2004* and still hold them when the Capital Restructure occurs.
2. **Former CEP Securityholders:** *Before 8 October 2004*, you acquired former Centro Properties Group ("CEP") securities, you exchanged your CEP securities for CNP securities on 8 October 2004 (pursuant to the merger between the former Centro Properties Group and the Prime Retail Property Group), and you still hold your CNP securities when the Capital Restructure occurs.
3. **Former PRX Securityholders:** *Before 8 October 2004*, you acquired former Prime Retail Property Group ("PRX") securities (renamed as CNP securities on 8 October 2004, pursuant to the Centro/Prime merger), and you still hold your CNP securities when the Capital Restructure occurs.