CGT Fact sheet – for the Merger of Novion Property Group and Federation Centres implemented on 11 June 2015

THIS FACTSHEET HAS BEEN PREPARED AS GENERAL GUIDANCE TO ASSIST FORMER NOVION PROPERTY GROUP (**NOVION**) SECURITYHOLDERS DETERMINE THEIR CAPITAL GAINS TAX (**CGT**) COST BASE OF FEDERATION CENTRES (**FDC**) STAPLED SECURITIES FOLLOWING THE MERGER OF NOVION AND FDC (**MERGER**) WHICH WAS IMPLEMENTED ON 11 JUNE 2015.

The information provided in this fact sheet is not financial product advice or taxation advice. It is general information only and has been prepared without taking into account your financial circumstances, investment objectives or particular needs. To obtain advice, you should consult your taxation or other financial adviser.

This fact sheet only applies to Novion securityholders who:

- **are individual investors and Australian residents for income tax purposes;**
- **acquired, or are taken to have acquired, their Novion Limited (NL) shares and Novion Trust (NT) units after 20 September 1985 (post-CGT assets);**
- **hold their shares and units as investments on capital account rather than for resale at a profit and the CGT provisions apply to them; and**
- **are determining whether they are eligible to choose scrip-for-scrip rollover relief.**

As part of the Merger, Federation Limited (**FL**) acquired all the shares in NL in exchange for issuing shares in FL and Federation Centres Trust No.1 (**FCT1**) acquired all the units in NT in exchange for issuing units in FCT1.

NOTE: Each Novion stapled security was comprised of one NL share stapled to one NT unit. Each FDC stapled security is comprised of one FL share stapled to one FCT1 unit.

TAX IMPLICATIONS OF THE MERGER

The tax implications of the Merger are outlined below and were confirmed by the Australian Taxation Office in Class Ruling CR 2015/50. A link to the Ruling was also placed on Novion's website, www.novion.com.au, with additional information and frequently asked questions.

(a) *Capital Gains Tax Event*

A CGT event happened to you as a result of the Merger. The time of the CGT event is the date when the Novion securities were disposed, being the Implementation Date of the Merger on 11 June 2015.

(b) *Capital Gain/Loss*

To the extent that the capital proceeds (the market value of the FDC securities) that you received are greater than the cost base of your Novion securities, you have realised a capital gain as a result of the Merger.

To the extent that the capital proceeds (the market value of the FDC securities) that you received are less than the cost base of your Novion securities, you have realised a capital loss as a result of the Merger.

HOW TO WORK OUT YOUR CAPITAL PROCEEDS?

On the Implementation Date, each Novion securityholder received 0.8225 new FDC securities in exchange for each Novion security held. Based on FDC's closing price of $2.98 on 11 June 2015 and on the exchange ratio of 0.8225, the market value received for each Novion security was $2.45. This should assist in determining the capital proceeds received by Novion securityholders who participated in the Merger.

Given that FDC securities and Novion pre-Merger securities are stapled securities, in order to determine the capital gain or loss attributed to each of the Novion shares and units held by Novion securityholders prior to the Merger, technically, it is necessary to further apportion the $2.45 between the NL shares and NT units.

A number of methodologies are available that could be considered reasonable. One approach that could be adopted, by way of example, is to apportion this consideration by reference to the Net Tangible Asset Value of FCT1, with the balance of value being attributable to the shares in FL. Information regarding the Net Tangible Value of FCT1 can be found on the Federation website here [www.federationcentres.com.au/sites/default/files/FDC__NTA.xlsx].

Applying this approach to the $2.45 per security received by Novion securityholders, results in an apportionment of $2.29 for each NT unit and $0.16 for each NL share.

CHOOSING SCRIP-FOR-SCRIP CGT ROLLOVER RELIEF

To the extent Novion securityholders realise a capital gain as a result of the Merger, the capital gain may be disregarded if scrip-for-scrip roll-over relief is chosen in respect of their shares and units.

For resident individual Novion security holders, rollover is applied by excluding the capital gain from your tax return and inserting **code "F"** for scrip-for-scrip rollover at **Box M** of **Question 18** on your tax return. For further guidance on this please refer to your Annual Tax Statement provided by Novion.

In addition, where scrip-for-scrip rollover relief is chosen:

- the cost base of the FDC securities that you received under the Merger will be equal to the cost base of your Novion securities at the time of the Merger (examples of how this would apply, taking into account the merger ratio, are provided at **Appendix A**); and
- the date of acquisition of the FDC securities that you received is taken to be the date on which your Novion securities were originally acquired. This is particularly relevant for CGT discount purposes.

NO SCRIP-FOR-SCRIP CGT ROLLOVER RELIEF

To the extent Novion security holders realise a capital loss as a result of the Merger or do not choose scrip-for-scrip roll-over relief:

- the cost base of the FDC securities that you received under the Merger will be equal to the market value of the FDC securities received at the time of the Merger (ie $2.98), as apportioned between the FL shares and FCT1 units (see above); and
- the date of acquisition of the FDC securities that you received is taken to be the Implementation Date of the Merger on 11 June 2015. This is particularly relevant for CGT discount purposes.

FEDERATION CENTRES

APPENDIX A

Example where scrip-for-scrip rollover relief is chosen

- Taxpayer A acquired 100 Novion securities on 4 November 2014 for $2.10 per security.
- The cost base of NT units and NL shares would be as follows:

	NT units	NL shares
Number of securities	**100**	**100**
Cost base*	**$2.024** ($2.10 multiplied by 96.378%)	**$0.076** ($2.10 multiplied by 3.622%)
Total cost base	**$202.39** ($2.024 multiplied by 100)	**$7.61** ($0.076 multiplied by 100)
Acquisition Date	**4 November 2014**	**4 November 2014**

** Assumes that the purchase price was allocated to Novion Trust and Novion Limited based on the Net Asset Value apportionment as indicated on Novion's website. Taxpayers should check the figures that relate to their specific circumstances on Novion's website here http://novion.com.au/investor-centre/securityholder-information.*

- Under the Merger, Taxpayer A receives 82 Federation securities (calculated as 100 Novion securities that Taxpayer A had multiplied by the merger ratio of 0.8225, rounded to the nearest whole number). Taxpayer A chooses scrip-for-scrip rollover relief to apply.
- The cost base of the FL shares and FCT1 units would be as follows:

	FCT 1 units	FL shares
Number of securities	**82**	**82**
Cost base	**$2.468** (Total pre Merger cost base of $202.39 divided by number of securities received under Merger).	**$0.093** (Total pre Merger cost base of $7.61 divided by number of securities received under Merger).
Total cost base	**$202.39** ($2.468 multiplied by 82)	**$7.61** ($0.093 multiplied by 82)
Deemed Acquisition Date	**4 November 2014**	**4 November 2014**

- **Note:** Where investors have acquired Novion securities in multiple tranches, you are required to apportion the cost base on a fair and reasonable basis across each tranche.