Arena REIT ARSN 106 891 641

Notice of Meeting and Explanatory Memorandum

This is an important document and requires your immediate attention.
Please read this document in full and consult your professional adviser if you have any queries.

Date of meeting: Monday, 9 December 2013
Time of meeting: 12.00pm (AEDT)
Venue: Spring Street Conference Centre, Training rooms 7 & 8,
1 Spring Street, Melbourne, Victoria 3000

The Arena Board considers the Stapling Proposal is in the best interests of ARF Investors (in the absence of a superior proposal) and unanimously recommends ARF Investors vote in favour of BOTH Resolutions.

You should read this **Notice of Meeting and Explanatory Memorandum** in full together with the PDS before deciding whether or not to vote in favour of the Resolutions.

The Independent Expert has concluded that the Stapling Proposal is in the best interests of, and fair and reasonable to, ARF Investors.

About this Document

This Document comprises a **Notice of Meeting** and **Explanatory Memorandum**, which contains detailed information about the **Stapling Proposal**, the impacts it will have on ARF Investors and the Resolutions to be voted on.

What should you do?

The Stapling Proposal requires the approval of ARF Investors. **You should:**

1. Read

Read this **Notice of Meeting, Explanatory Memorandum** and the accompanying **PDS**.

Investors should read the PDS carefully before making any decision about how to vote. All New Units issued to implement the Stapling Proposal shall be taken to be issued to ARF Investors pursuant to, and on the basis they have taken into account the contents of, the PDS.

2. Vote

ARF Investors wishing to vote on the Resolutions must

either attend the Meeting **or** return their proxy form

by 12.00pm AEDT on **Saturday, 7 December 2013**.

For further information

If you have further enquiries please contact the toll free Arena Information Line on 1800 008 494 between 8:30 am and 5:00 pm (AEDT) Monday to Friday (excluding public holidays).

If you have queries or uncertainties relating to any matter you should consult your stockbroker, accountant or other professional adviser.

Any material amendment to the Stapling Proposal will be announced to the market through ASX and posted on the Arena website at www.arenainvest.com.

Important Notices

What is this Document?

On 1 November 2013, the Board of Arena Investment Management Limited (**Arena**) announced a proposal for the stapling of Arena REIT (**ARF**) and Sydney HealthCare Trust (**SHCT**), an unlisted property fund, to create a stapled ASX listed A-REIT (**Stapled Group**). It is proposed that the Stapled Group will be listed on ASX under the existing ASX code 'ARF'.

This Document is a Notice of Meeting and Explanatory Memorandum dated 1 November 2013 and is issued by Arena Investment Management Limited ACN 077 235 879 in its capacity as responsible entity of Arena REIT ARSN 106 891 641.

This Document provides information for ARF Investors to consider and vote on the Resolutions to approve the Stapling Proposal (Resolution 1 – Stapling Resolution) and the proposed changes to the ARF Constitution described in this Document (Resolution 2 – General Constitutional Changes) at the Meeting to be held at 12.00pm(AEDT) on Monday, 9 December 2013 at Spring Street Conference Centre, Training rooms 7 & 8, 1 Spring Street, Melbourne, Victoria 3000.

This Document should be read with the Product Disclosure Statement dated 1 November 2013 relating to the Stapled Group (**PDS**) that accompanied this Document. The PDS provides a detailed overview of ARF and SHCT and the Stapled Group, if the Stapling Proposal is approved and implemented.

ARF Investors as at the Meeting Record Date will have the right to vote on the Resolutions, subject to the voting exclusions set out in the Notice of Meeting.

No investment advice – voting decisions and investment

If the Stapling Proposal is implemented, an investment in the Stapled Group will be subject to investment and other risks, including loss of income and the principal invested. Arena does not provide any guarantee or assurance as to the performance of ARF, SHCT or the Stapled Group or the repayment of capital.

The information contained in this Document and the PDS is not financial product advice and does not take into account the investment objectives, tax position, financial situation and particular needs of ARF Investors. Accordingly, before making any investment you should read this Document, the PDS and any supplementary or replacement PDS in full. It is recommended that before a decision in relation to the Resolutions is made ARF Investors should consult their financial or other professional adviser.

Responsibility statement

Arena takes full responsibility for the contents of this Document, subject to the limitations set out below.

PwC has prepared the tax report included in Section 4 (**Tax Report**). Neither Arena, nor any of its Directors, representatives, officers, employees or advisers assumes any of PwC's responsibility for the accuracy of the Tax Report, except to the extent that those parties are responsible for the information provided to PwC in the preparation of the Tax Report. PwC does not assume any responsibility for the accuracy or completeness of any other part of this Document.'.

Moore Stephens has prepared the Independent Expert's Report set out in Section 5. Moore Stephens takes responsibility for that report. Neither Arena, nor any of its Directors, representatives, officers, employees or advisers assumes any of the Independent Expert's responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except to the extent that those parties are responsible for the factual information provided to Moore Stephens in the preparation of the Independent Expert's Report.

Forward looking statements

This Document contains forward-looking statements in relation to the financial performance and strategy of ARF and the Stapled Group. Those forward-looking statements are made only as at the date of this Document.

Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Arena concerning future results and events at the date of this Document and are not and cannot be guarantees of future performance. The actual results or outcomes for ARF, SHCT and/or the Stapled Group may differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements or forecasts.

Subject to any obligations under the Corporations Act or the Listing Rules, Arena and the Arena Board disclaim any obligation or undertaking to disseminate after the date of this Document any update or revisions to any forward-looking statements to reflect any change in expectations in relation to any of those statements or any change in circumstances, events or conditions on which any of those statements are based.

The risk factors and disadvantages in Section 2.4 of this Document and those described in Section 5 of the PDS or other factors (which could be unknown, unpredictable or result from a variation in the assumptions underlying any forecasts), could cause actual results to differ materially from those expressed, implied or projected in any forward-looking statements or forecasts.

None of Arena, or any of its representatives, officers, employees or advisers (including any employee of Citrus or any person named in this Document or any person involved in the preparation of it) gives any representation, assurance or guarantee (express or implied) that the results, performance or achievements expressed or implied by the forward-looking statements in this Document will actually occur.

Electronic version of this Document

This Document and the PDS may also be viewed online at www.arenainvest.com.au. If you access the electronic version of this Document or the PDS you should ensure that you download both documents in their entirety.

Paper copies of this Document and the PDS can be obtained free of charge by contacting Arena.

Notice to Foreign Investors

This Document and the PDS do not in any way constitute an offer of securities or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

If the Stapling Proposal is implemented, Foreign Investors will not receive Stapled Securities (due to legal restrictions), but will instead have the Stapled Securities to which they would otherwise be entitled sold through the Sale Facility (described in Section 7.1) in such manner and at such price and on such terms as the Sale Nominee determines in good faith (and at the risk of Foreign Investors). The Stapled Securities to be sold by the Sale Nominee will be sold on market and there can be no assurance as to the price at which Stapled Securities will be sold. Sale proceeds will be paid by electronic funds transfer (if details are held by the Registry) or by cheque.

Participation in the Sale Facility is not available to ARF Investors (other than Foreign Investors).

Read the PDS

This Document contains information about the Stapling Proposal, which if approved and implemented, will result in ARF Investors holding Stapled Securities. Stapled Securities will be issued by Arena in its capacity as responsible entity of both ARF and SHCT. A PDS in relation to the Stapled Securities accompanies this Document and is also available at the Arena website at www.arenainvest.com.au. You should also consider the PDS in deciding whether to vote in favour of the Stapling Proposal.

Glossary

Unless otherwise defined in this Document, terms and abbreviations used in this Document have defined meanings which are set out in the Glossary in Section 9.

This Document is dated 1 November 2013.

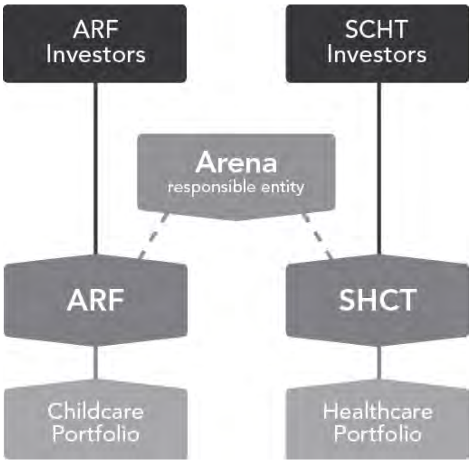
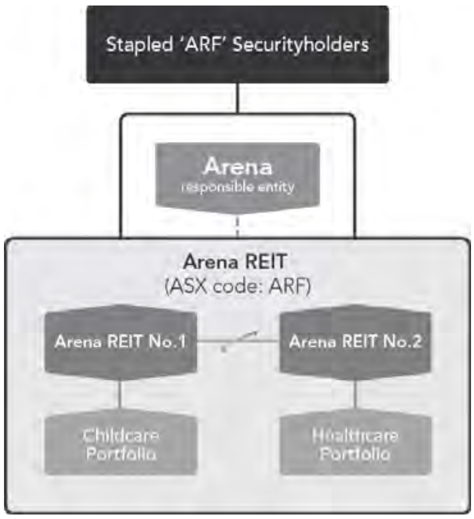
Contents

1 Overview of the Stapling Proposal

1.1 Key information

Topic	Details	For more information
What is the Stapling Proposal?	The Stapling Proposal (if approved and implemented) involves the issue of New Units and the stapling of ARF Units with SHCT Units such that ARF and SHCT will operate as a combined group listed on ASX under the code 'ARF' (**Stapled Group**). Each ARF Investor and SHCT Investor will then be referred to as a "Stapled Securityholder" and may only trade both ARF Units and SHCT Units together. The Stapling Proposal (if approved and implemented) also provides a Redemption Offer under which SHCT Investors can elect to redeem part or all of their investment for cash at a price of $1.15 per entitlement to a Stapled Security. ARF Investors who are not also SHCT Investors are not entitled to participate in the Redemption Offer. The Stapling Proposal requires the approval of ARF Investors, as well as SHCT Investors, who will consider and vote on the Stapling Proposal in separate meetings. Details of the issue of Stapled Securities and important information regarding the Stapled Group are detailed in the PDS. In particular, you should pay careful consideration to the risk factors and the tax implications outlined in Sections 2.4 and 4 of this Document, and Sections 5 and 11 of the PDS, as they relate to your personal investment objectives, financial circumstances and needs.	Sections 2 and 4 of this Document and Sections 5 and 11 of the PDS
What is the commercial outcome of the Stapling Proposal?	Following implementation of the Stapling Proposal, ARF and SHCT will effectively operate as one combined group. For ARF Investors, the Stapling Proposal will result in: • exposure to SHCT's Healthcare Portfolio of 6 multi-disciplinary medical centres located in and around Sydney leased to Primary Health Care with a WALE of 9.0 years and a Passing Yield of 8.9%;[1] • an expected increase in ARF's FY14 forecast distributions from 8.2 cents to 8.45 cents per Stapled Security. On a pro forma annualised basis[2], the FY14 net profit available for distribution to Stapled Securityholders is forecast to be 8.8 cents per Stapled Security. The actual increase is dependent on the number of SHCT Investors who accept the Redemption Offer; • the Stapled Group's total Carrying Value will be $289.6 million compared to ARF's Carrying Value (on a stand-alone basis) of $234.9 million;[3] and • the Stapled Group's Gearing Ratio will be between 23% and 29%[4] (compared to ARF's Gearing Ratio of 10.6% as at 30 June 2013) which is below the target Gearing Ratio of between 35% and 45%. If the Stapling Proposal is approved and implemented, the facility limit under ARF's Debt Facility will increase to $140 million (compared to ARF's current facility limit of $110 million).	Sections 0, 2.3 and 3

1 Both figures as at 30 June 2013.
2 Means the annualised pro forma FY14 forecast for the Stapled Group assuming the Stapled Group had been in existence for all of FY14, as further detailed in section 3.4.
3 Both figures based as at 30 June 2013.
4 The exact percentage within this range depends on the number of SHCT Investors who accept the Redemption Offer.

Topic	Details	For more information
How will the group structure change as a result of the Stapling Proposal?	The current structure of ARF and SHCT is as follows:  As shown below, if the Stapling Proposal is implemented: • the Stapled Group will consist of both ARF and SHCT, each managed by Arena as the responsible entity, with each having common investors; • Arena will change the name of ARF to 'Arena REIT No. 1' and the name of SHCT to 'Arena REIT No. 2'; and • the Stapled Group will be known as 'Arena REIT' and trade under ASX code: 'ARF'.  	Section 2
What will be the key portfolio features of the Stapling Proposal?	As described in detail in Section 4 of the PDS, the Stapled Group will bring together two complementary portfolios (the Childcare Portfolio owned by ARF and the Healthcare Portfolio owned by SHCT) resulting in a Combined Portfolio with the following key features:[5] • a Combined Portfolio with a Carrying Value of $289.6 million, made up of: – 173 childcare centres and 4 childcare development sites, located throughout Australia; and	Section 2

5 All figures as at 30 June 2013.

Topic	Details	For more information
	– 6 medical centres located in and around Sydney; • greater sector diversification with 81.1% exposure to the childcare sector and 18.9% exposure to the healthcare sector;[6] • greater tenancy diversification mix with exposure to Goodstart of 52.8% and exposure to Primary Health Care of 19%[7]; • a WALE of 8.4 years; and • a Passing Yield of 9.2%.	
What are the key benefits of the Stapling Proposal?	Arena considers the main benefits of the Stapling Proposal to be: • Significant portfolio diversification:[8] – **Introduces healthcare exposure** – ARF Investors will have a 18.9% weighting to the healthcare sector and a 81.1% exposure to the childcare sector[9]; – **Broadens tenancy base** – the Combined Portfolio will have a 19%[10] exposure to a high quality operator in Primary Health Care which is a leading provider of medical services in Australia; and – **Relatively long remaining lease term** – a combined portfolio WALE of 8.4 years. • An increase in ARF's FY14 forecast distributions from 8.2 cents to 8.45 cents per Stapled Security. On a pro forma annualised basis, the FY14 net profit available for distribution to Stapled Securityholders is forecast to be 8.8 cents per Stapled Security. • The Stapled Group's total Carrying Value will be $289.6 million compared to ARF's Carrying Value (on a stand-alone basis) of $234.9 million.[11] • All of the assets in the Healthcare Portfolio were purpose built between 2000 and 2002 specifically for Primary Health Care. • Under the terms of the leases, Primary Health Care is responsible for all operational and statutory outgoings including insurance, land tax (on a multiple holding basis) and repairs and maintenance (other than of a structural nature). Details of the basis of preparation of the Forecast and key assumptions and risks of the Forecasts are set out in Section 3 of this Document and Section 7 of the PDS.	Section 2.3
What are the key disadvantages and risks of the Stapling Proposal?	Arena considers the main disadvantages of the Stapling Proposal to be: • as a result of funding the Redemption Offer, the Gearing Ratio will increase from 10.6% (for ARF as at 30 June 2013) to between 23% and 29% for the Stapled Group (noting that this remains below ARF's target gearing ratio of between 35% and 45%). If the Stapling Proposal is approved and implemented, the facility limit under ARF's Debt Facility will increase to $140 million (compared to ARF's current facility limit of $110 million). • as a result of funding the Redemption Offer and the costs of	Sections 2.4, 3 and Section 5 of the PDS

6 Weighted by income.
7 Weighted by income.
8 All figures as at 30 June 2013.
9 Both figures reference by value.
10 Both figures reference by value.
11 Both figures as at 30 June 2013.

Topic	Details	For more information
	implementing the Stapling Proposal, the NTA per Stapled Security will be between 1.2% and 2.2%[12] less than the NTA per ARF Unit (on a stand-alone basis) as at 30 June 2013. Arena considers the key risks relating to an investment in the Stapled Group to be: • concentration risk; • tenant risk; • regulation and licensing risk; • government funding, policy risk and changes in law; • alternative use risk; • acquisitions and divestments risk; and • re-leasing and vacancy risk. These disadvantages and risks are further described in Section 2.4 of this Document and Section 5 of the PDS.	
What did the Independent Expert say?	Arena commissioned Moore Stephens to prepare an Independent Expert's Report to express an opinion as to whether the Stapling Proposal is in the best interests of, and fair and reasonable to, ARF Investors. The Independent Expert has considered the merits of the Stapling Proposal, assessed the relative value of ARF and SHCT and identified the advantages and disadvantages that they consider relevant to an evaluation of whether the Stapling Proposal is fair and reasonable and in the best interests of ARF Investors. **The Independent Expert has concluded that in their opinion:** • **ARF Investors will be better off if the Stapling Proposal is implemented than if it is not; and** • **The Stapling Proposal is in the best interest of, and is fair and reasonable to ARF Investors.** The Independent Expert's report is set out in its entirety in Section 5. The report includes a summary prepared by the Independent Expert setting out the background to the Stapling Proposal, the scope of their report, the basis of their evaluation and the summary of their opinion. ARF Investors should read the Independent Experts report in full before making their own determination on the merits of the Stapling Proposal.	Section 5
What does the Arena Board recommend?	The Arena Board considers the Stapling Proposal is in the best interests of ARF Investors (in the absence of a superior proposal) and unanimously recommends ARF Investors vote in favour of both Resolutions.	Section 2.6
What is Resolution 1 (Stapling Resolution)?	*Resolution 1 – Stapling Resolution* ARF Investors will have the opportunity to vote on the Stapling Resolution to enable the necessary amendments to be made to the ARF Constitution in order to empower Arena to implement the Stapling Proposal.	Section 2

12 The exact percentage within the range will depend on the number of SHCT Investors who accept the Redemption Offer.

Topic	Details	For more information
What other resolutions are ARF Investors being asked to approve?	*Resolution 2 – General Constitutional Changes Resolution* The General Constitutional Changes Resolution proposes to amend the ARF Constitution to include certain provisions which reflects the transition of ARF from an unlisted entity to an ASX listed entity. If Resolution 1 (Stapling Resolution) is approved by ARF Investors, it will not be necessary at the Meeting to consider Resolution 2 (since the General Constitutional Changes are also incorporated as part of Resolution 1). However, if the Stapling Resolution is not approved, Arena considers that the General Constitutional Changes are nevertheless appropriate and in the best interests of ARF Investors.	Section 6
What are the possible outcomes from the Meeting?	There are 3 possible outcomes from the Meeting *Outcome 1: Resolution 1 is approved* If Resolution 1 is approved (and the corresponding resolution is also approved by SHCT Investors), Arena will implement the Transaction Steps as set out in Section 7.1 in order to give effect to the Stapling Proposal. Resolution 2 will have no effect, as the General Constitutional Changes will have been effected by the amendments approved pursuant to Resolution 1. *Outcome 2: Resolution 1 is not approved or the corresponding resolution is not approved by SHCT Investors and Resolution 2 is approved* The Stapling Proposal will not be implemented. The General Constitutional Changes will be made to the ARF Constitution. *Outcome 3: Neither Resolution 1 nor Resolution 2 is approved* The Stapling Proposal will not be implemented. No amendments will be made to the ARF Constitution. This means that the responsible entity of ARF will not be able to issue ARF Units at a price by reference to the ASX trading price of ARF Units.	Section 7

1.2 Key dates

Dispatch of Notices of Meeting and Explanatory Memoranda and PDS to ARF Investors and SHCT Investors	Friday, 15 November 2013
Closing date for Redemption Offer ARF Units trade on ASX ex-Interim Distribution	Wednesday, 4 December 2013
Last date for lodgement of proxy forms	Saturday, 7 December 2013
Meetings of ARF Investors and SHCT Investors	Monday, 9 December 2013

If the Stapling Proposal is approved by ARF Investors and SHCT Investors and all other conditions in connection with the Stapling Proposal are fulfilled.

Last day of ASX trading of ARF Units	Tuesday, 10 December 2013
Admission of Stapled Group to official list of ASX Deferred settlement trading of Stapled Securities begins	Wednesday, 11 December 2013
Stapling Record Date Last day for registration of transfers of existing ARF Units and SHCT Units	Tuesday, 17 December 2013
Stapling Commencement Date New SHCT Units and New ARF Units allotted Stapled Securities redeemed pursuant to Redemption Offer Issue of New ARF Units and New SHCT Units Dispatch of holding statements for Stapled Securities	Wednesday, 18 December 2013
Stapled Securities commence trading on a normal (T+3) settlement basis	Thursday, 19 December 2013

The timetable above and all other indicative dates in this Document are indicative only. Unless otherwise specified, all times and dates refer to AEDT. Arena reserves the right to amend any or all of these dates and times subject to the Corporations Act, the Listing Rules and other applicable laws, or to withdraw the Stapling Proposal, without prior notice. Any amendment to the timetable will be announced to the market through ASX. The quotation and commencement of trading of the Stapled Securities is subject to confirmation from ASX.

2 Resolution 1: Stapling Proposal

Resolution 1 involves considering and, if thought fit, approving amendments to the ARF Constitution to empower Arena to implement the Stapling Proposal.

2.1 Stapling Proposal: Q&A

Question	Answer	For more information
What is the Stapling Proposal?	The Stapling Proposal (if approved and implemented) involves stapling ARF Units to SHCT Units and the admission of the Stapled Group to the official list of ASX. In conjunction with the Stapling Proposal, SHCT Investors will be entitled to participate in the Redemption Offer. A Stapled Security will consist of one SHCT Unit and one ARF Unit stapled together.	Section 2
What will ARF Investors receive if the Stapling Proposal is approved and implemented?	If the Stapling Proposal is approved and implemented, ARF Investors will own Stapled Securities comprising ARF Units stapled to SHCT Units. The number of Stapled Securities which will be held by ARF Investors following the Stapling Commencement Date is determined by the Stapling Ratio. Under the Stapling Ratio, ARF Investors will hold one Stapled Security for every one ARF Unit they hold on the Stapling Record Date.	Section 7.1
What is SHCT?	SHCT is an unlisted registered managed investment scheme which was established in 2002 and owns a portfolio of 6 multi-disciplinary primary care medical centres located in and around Sydney valued at $54.7 million as at 30 June 2013 (**Healthcare Portfolio**). The Healthcare Portfolio is leased to Primary Health Care, a listed company in the S&P/ASX 100 Index with a market capitalisation of approximately $2.5 billion[13].	Section 0
What is the rationale for the Stapling Proposal?	When ARF listed on ASX in June 2013, the Arena Board set out an objective to generate attractive and predictable distributions to investors with earnings growth prospects over the medium to long term. The Arena Board considers that this will be best achieved through broadening ARF's investment strategy, looking beyond the childcare sector to complementary assets in the healthcare, education and government sectors and other sectors with attributes such as high credit quality tenants, relatively long term leases and/or assets with strategic importance for the tenant. The Arena Board believes that broadening the investment strategy will benefit ARF Investors in the longer term, by diversifying the underlying tenancy base and geographic spread and providing more growth options. Following its successful capital raising and ASX listing, ARF is now well positioned to pursue its investment strategy and the Stapling Proposal provides a compelling opportunity to further enhance the value of ARF by exposure to a portfolio of 6 multi-disciplinary primary care medical centres with a secure and highly reputable tenant. Further, the Stapling Proposal will diversify ARF's key tenants and enhance both sector and geographical diversification.	Section 0

13 As at 1 November 2013.

Question	Answer	For more information
What happens if the Stapling Proposal is not approved?	If the Stapling Proposal is not approved by either ARF Investors or SHCT Investors, the Stapling Proposal will not be implemented and ARF will continue to be listed on ASX in its current form. ARF Investors will vote on the General Constitutional Amendment.	Section 2.7
Does Arena (or its related entities) have any holdings in ARF or SHCT?	Arena Property Fund (**APF**), of which Arena is also the responsible entity, holds 12,672,684 SHCT Units (approximately 46.9% of all SHCT Units). Arena, in its capacity as responsible entity of APF, will elect to participate in the Redemption Offer, which at $1.15 equates to approximately $14.57 million. MSREF VII Global holds an indirect interest in APF. MSREF VII Global also indirectly holds 26.95 million ARF Units. Following the implementation of the Stapling Proposal, it will hold 26.95 million Stapled Securities. This equates to approximately 11.5% of the Stapled Securities on issue after implementation of the Stapling Proposal (but before processing any elections by SHCT Investors to accept the Redemption Offer). As at the date of this Document, Directors of Arena held units in ARF but not in SHCT (as detailed in Section 7.4) and will hold Stapled Securities following implementation of the Stapling Proposal. The Directors will not be entitled to vote their holdings at the Meeting. APF will not be entitled to vote its holdings at the SHCT meeting.	Section 7.4
Will you receive a distribution before the Stapling Proposal is implemented?	ARF Investors (as at the Interim Distribution Record Date) will receive an Interim Distribution of 1.7 cents per ARF Unit for the period from 1 October 2013 to 10 December 2013. This Interim Distribution is expected to be paid in mid-February 2014, whether or not the Stapling Proposal is implemented.	Section 3.6
What is the impact on distributions from the Stapling Proposal?	As stated in ARF's IPO PDS, ARF is currently forecast to deliver a FY14 full-year distribution of 8.2 cents per ARF Unit. If the Stapling Proposal is approved and implemented, the Stapled Group is forecast to deliver a FY14 full-year distribution of 8.45 cents per Stapled Security. On a pro-forma annualised basis, the FY14 net profit available for distribution to Stapled Securityholders is forecast to be 8.8 cents per Stapled Security. Specifically, the distributions that ARF Investors are forecast to receive are shown in the table below.[14]	Section 3.6

Distribution period	Distribution[15]
1 July 2013 to 30 September 2013	2.05 cents
1 October 2013 to 10 December 2013	1.70 cents
11 December 2013 to 31 March 2014	2.50 cents
1 April 2014 to 30 June 2014	2.20 cents
FY14 total	**8.45 cents**

Details of the basis of preparation of the Forecasts and key assumptions and risks to the Forecasts are set out in Section 3 of this Document and Section 7 of the PDS.

14 Other than the first distribution (which has been declared but not paid), these figures are a Forecast.
15 Expressed per ARF Unit prior to Stapling and per Stapled Security after Stapling.

Question	Answer	For more information
What is the impact of the Stapling Proposal on the NTA of ARF Units?	As a result of funding the Redemption Offer and the costs of implementing the Stapling Proposal, the pro forma NTA per Stapled Security will be between 1.2% and 2.2% less than the NTA per ARF Unit (on a stand-alone basis) as at 30 June 2013.	Section 3
Who will manage the Stapled Group?	After the Stapling Proposal is implemented, Arena will continue to be the responsible entity for both ARF and SHCT and will manage the Stapled Group. Details of Arena's Directors and management team are set out in Section 9 of the PDS.	Section 9 of the PDS
How many Stapled Securities will you hold after the stapling?	You will hold the same number of Stapled Securities as the number of ARF Units you hold as at the Stapling Record Date. For example, if you hold 50,000 ARF Units on the Stapling Record Date, you will hold 50,000 ARF Units and 50,000 SHCT Units which together form 50,000 Stapled Securities.	Section 7.1
How was the Stapling Ratio and Redemption Price determined?	The Stapling Ratio (1:1) was determined primarily with reference to the 30 June 2013 NTA per unit of both ARF and SHCT (both approximately $1.02). The Redemption Price ($1.15) was determined having regard to a number of factors including: • the recent volume weighted average trading price of ARF on ASX; • the 30 June 2013 NTA per unit of both ARF and SHCT (both approximately $1.02); • a competitive offer price in the current market for acquiring the SHCT Healthcare Portfolio having regard to the effectiveness of the Stapling Proposal with respect to transaction costs; • the benefit to ARF investors from the increase in forecast FY14 earnings for the Stapled Group; and • the overall benefits of the Stapling Proposal to ARF Investors, including the portfolio diversification benefits. The Redemption Price of $1.15 represents a premium to SHCT's 30 June 2013 portfolio Carrying Value of approximately 6.5%. However, from ARF's perspective, after taking into account the higher transaction costs that would be involved if ARF acquired SHCT's portfolio, the premium paid on SHCT's Carrying Value (under that scenario) is effectively approximately 2.6%[17]. For further information, refer to the Independent Expert's Report set out in Section 5.	Section 5
What fees are payable to Arena?	If the Stapling Proposal is approved and implemented: • Arena will receive an acquisition fee from ARF of $546,500 equivalent to 1.00% of the Carrying Value of SHCT's Properties as at 30 June 2013; and • the existing accrued SHCT liability to Arena of $3.4 million for Deferred Management and Performance Fees (calculated based on	Section 3 of this Document and Section 10 of the PDS

17 Under the Stapling Proposal, transaction costs are estimated to be $1.2 million or 2.2% of SHCT's Carrying Value.

Question	Answer	For more information
	SHCT's Carrying Value as at 30 June 2013) will become payable on the Admission Date, funded from the Debt Facility; and • there will be no change in the ongoing fees and costs payable by ARF Investors. The ongoing fees and costs payable by Stapled Securityholders are set out in Section 10 of the PDS. No brokerage or commission is payable by ARF Investors (in relation to implementation of the Stapling Proposal).	
What are the transaction costs?	If the Stapling Proposal is approved and implemented, the total transaction costs payable by the Stapled Group are estimated to be approximately $1.7 million (which includes the acquisition fee of $546,500 referred to above). If the Stapling Proposal is not implemented, the total transaction costs payable by ARF are estimated to be approximately $550,000.	Section 3
Are there any conditions precedent to the Stapling Proposal?	The Stapling Proposal is subject to the approval of both ARF Investors and SHCT Investors and also subject to the confirmation of ASX and ASIC relief.	Section 7.1
Will you be able to reinvest my distributions after the Stapling Proposal is implemented?	The General Constitutional Changes will enable the Stapled Group to establish a distribution reinvestment plan (**DRP**) in the future which may be active from time to time. If the Arena Board decides to establish a DRP, details will be provided to ASX and posted on the Arena website. It is not currently intended to activate the DRP.	
What is the status of the Buyback?	As part of ARF's listing in June 2013, Arena announced an on-market buyback facility (**Buyback**). No ARF Units have been acquired under the Buyback. On 1 November 2013, ARF announced to ASX that the Buyback was discontinued with immediate effect.	Section 3.1 of the PDS
Do you need to make any payment to participate in the Stapling Proposal?	No. Your investment in the Stapled Group will be achieved by ARF undertaking a capital return, and the proceeds being immediately applied by Arena on behalf of ARF Investors to acquire the same number of SHCT Units as the number of ARF Units held.	Section 7.1
What are the taxation implications of the Stapling Proposal?	The taxation implications of the Stapling Proposal for Australian resident ARF Investors are addressed in Section 4.	Section 4
Can you sell ARF Units before the Meeting?	Yes, ARF Units are expected to continue trading on ASX in the normal course (subject to the Listing Rules) until Tuesday, 10 December 2013 (being the day before the expected Admission Date). Deferred settlement trading of Stapled Securities on ASX is expected to commence on Wednesday 11 December 2013 with trading on a normal settlement basis commencing on Thursday, 19 December 2013.	Section 7.1

Question	Answer	For more information
When and where is the Meeting?	12.00pm (AEDT) Monday, 9 December 2013 Spring Street Conference Centre, Training rooms 7 & 8 1 Spring Street, Melbourne, Victoria 3000	
What changes will be made to the ARF Constitution as a result of Resolution 1 (Stapling Resolution)?	The changes to the ARF Constitution fall broadly into the following categories: • changes to the issue price provisions so that ARF Units may be issued by reference to ASX trading price; • inserting provisions to allow redemption of unmarketable parcels; • inserting stapling provisions and other mechanical provisions to facilitate the Stapling Proposal; and • inserting provisions regarding the divestment of the Stapled Securities held by Foreign Investors. A full copy of the proposed changes is available by contacting Arena and will also be available at the Meeting.	Section 2.8
What is the approval threshold for the Resolutions?	Both the Stapling Resolution and the General Constitutional Change Resolution are special resolutions and will be approved if 75% or more of the votes cast by ARF Investors present (in person or by proxy) and eligible to vote are cast in favour of the relevant Resolution.	Section 8
How do you vote at the Meeting?	ARF Investors wishing to vote on the Resolutions must either attend the Meeting, either in person or by appointing a corporate representative or attorney, or return their proxy form by 12.00pm AEDT on Saturday, 7 December 2013.	Section 8
What happens if you do not vote?	If you do not vote, the Resolutions will be determined by the votes of the ARF Investors who do vote. If Resolution 1 (Stapling Resolution) is approved and the Stapling Proposal implemented, you will hold Stapled Securities pursuant to the PDS in accordance with the Transaction Steps described in Section 7.1 unless you sell your ARF Units before the Stapling Record Date.	Section 7.1
Do SHCT Investors also need to approve the Stapling Proposal?	Yes, implementation of the Stapling Proposal also requires the approval of SHCT Investors at a meeting to be held on the same date as the ARF Meeting.	Section 7.1
Are the Resolutions inter-conditional?	No. If Resolution 1 (Stapling Resolution) is not approved, ARF Investors will still consider Resolution 2 (General Constitutional Changes) to amend the ARF Constitution to include certain provisions (primarily of an administrative nature) which reflect the transition of ARF from an unlisted entity to an ASX listed entity. **The Arena Board considers the Stapling Proposal is in the best interests of ARF Investors (in the absence of a superior proposal) and <u>unanimously recommends ARF Investors vote in favour of BOTH Resolutions.</u>**	
How can further information be	If you have further enquiries please contact the Arena Information Line on 1800 008 494 (toll free within Australia) between 8:30 am and 5:00 pm (AEDT) Monday to Friday (excluding public holidays).	

Question	Answer	For more information
obtained?	If you have queries or uncertainties relating to any matter you should consult your stockbroker, accountant or other professional adviser.	

2.2 Rationale for the Stapling Proposal

The Arena Board considers the Stapling Proposal to be consistent with ARF's stated investment objective and strategy and that SHCT's Healthcare Portfolio meets ARF's investment criteria. Having considered the advantages, disadvantages and risks of the Stapling Proposal as set out in this Document and the PDS, the Arena Board has concluded that the Stapling Proposal is in the best interests of ARF Investors.

(a) Background to ARF's investment objective and strategy

ARF owns a portfolio of 173 childcare centres and 4 childcare development sites located throughout Australia valued at $234.9 million as at 30 June 2013, the majority of which are leased to Goodstart.

ARF was established in 2003 as an unlisted property trust to acquire and develop a portfolio of childcare centres and has since grown to be one of Australia's largest owners of childcare centre properties. ARF was listed on ASX on 13 June 2013 as part of a carefully planned strategy to reposition ARF, allowing it to deliver liquidity to existing investors whilst improving earnings growth potential going forward. ARF was able to significantly reduce its Gearing Ratio (10.6% as at 30 June 2013) by raising $75 million of new capital. On 20 September 2013, ARF was included on the S&P/ASX 300 Index.

When ARF listed on ASX, the Arena Board broadened ARF's investment strategy to include assets in the healthcare, education and government sectors and other sectors with attributes such as high credit quality tenants, relatively long leases and/or properties that have strategic importance to the operations of the tenant. Arena believes this broadening of the investment strategy will benefit ARF in the longer term for several reasons including better diversification of the underlying tenancy base and enhanced earnings growth potential. Following ARF's successful capital raising and listing, Arena now seeks to execute on ARF's investment objective and strategy by combining its existing Childcare Portfolio with SHCT's Healthcare Portfolio through implementation of the Stapling Proposal.

(b) SHCT and the Healthcare Portfolio

The information below provides a summary of SHCT and the Healthcare Portfolio. Further details are set out in Sections 4 and 12.4 of the PDS.

(i) SHCT

SHCT was established in 2002 as an unlisted property trust and owns a portfolio of 6 medical centres located in and around Sydney, with a Carrying Value of $54.7 million (as at 30 June 2013).

(ii) Characteristics of the Healthcare Portfolio

The Primary Leases share similar positive characteristics with ARF's Standard Childcare Lease, including:

- WALE of 9.0 years.[18]
- A minimum of 18 months' notice of the tenant's intention to exercise each 5 year option to extend the lease term.
- Current rents are indexed annually either to CPI or a fixed increase of 2% to 3% (see Section 4.3 of the PDS for more details).
- Primary Health Care is responsible for all operational and statutory outgoings including insurance, land tax (on a multiple holding basis) and repairs and maintenance (other than of a structural nature).

SHCT's Healthcare Portfolio also offers the following diversification benefits for ARF Investors:[19]

- **Introduces healthcare exposure** – ARF Investors will have a 18.9% weighting to the healthcare sector and a 81.1% exposure to the childcare sector[20];
- **Broadens tenancy base** – the Combined Portfolio will have a 19%[21] exposure to a high quality operator in Primary Health Care which is a leading provider of medical services in Australia; and
- **Relatively long remaining lease term** – a combined portfolio WALE of 8.4 years.

(iii) Primary Health Care

All 6 medical centres within the Healthcare Portfolio are leased to Primary Health Care.

Primary Health Care is a listed company in the S&P/ASX 100 Index that provides a comprehensive range of services and facilities to general practitioners, healthcare providers and specialists who conduct their own practices and businesses at its facilities. It is one of Australia's leading listed healthcare companies with a network of medical and pathology centres across Australia.

Primary Health Care has a market capitalisation of approximately $2.5 billion.[22] For the year ended 30 June 2013, Primary Health Care's earnings before interest, tax, deductions and amortisation increased by 9.7% to $385.1 million, net profit after tax increased by 29% to $150.1 million and earnings per share increased by 28% to 29.9 cents per share compared to the prior financial year.

(iv) Independent valuation

The Healthcare Portfolio was independently valued as at 30 June 2013 with a Carrying Value of $54.7 million. A summary is contained in the following table:[23]

Property	Address	NLA (sqm)	WALE (years)	Carrying Value ($m)	Passing Yield	Value (per sqm)
Bondi Junction Medical Centre	3A Bronte Rd	1,139	9.5	12.0	7.82%	$10,536
Leichhardt Medical Centre	30 - 38 Short Street	2,036	9.2	12.3	8.49%	$6,041
Campbelltown Medical Centre	296 Queen Street	1,622	7.0	7.8	10.16%	$4,809
Dapto Medical Centre	Corner Bong Bong Rd and Princes Highway	2,196	9.9	8.2	9.09%	$3,734
Wentworthville Medical Centre	122-128 Station Street	1,652	9.5	7.7	9.05%	$4,661
Mt Druitt Medical Centre	22 Jirrang Close	1,490	9.3	6.7	9.43%	$4,497
		10,135	**9.0**	**54.7**	**8.86%**	**$5,392**

18 As at 30 June 2013.
19 All figures as at 30 June 2013.
20 Both figures by reference value.
21 By reference value.
22 As at 1 November 2013.
23 In the table, sqm means square metres, and per sqm means per square metre.

2.3 Key benefits of the Stapling Proposal

The Stapling Proposal provides ARF Investors with the opportunity to gain exposure to SHCT's Healthcare Portfolio which has features that are consistent with ARF's investment objectives and strategy, as shown in the table below:

		Stapling Proposal
ARF investment objective	Generate an attractive and predictable distribution to ARF Investors with earnings growth prospect over the medium to long term	✓ The Stapling Proposal is forecast to be accretive to earnings for ARF Investors with FY14 distribution forecast to increase from 8.2 cents to 8.45 cents.[24] On a pro forma annualised basis, the FY14 net profit available for distribution is forecast to be 8.8 cents per Stapled Security. See Section 3.6 for more details.
ARF investment strategy	Relatively long remaining lease terms	✓ The WALE of the Healthcare Portfolio is 9.0 years compared to ARF's portfolio WALE of 8.3 years.[25]
	Premises that have strategic importance for the tenant's operations (eg. where purpose-built for the tenant)	✓ Each of the Properties in the Healthcare Portfolio was purpose built for Primary Health Care. See Section 4.3(c) of the PDS for details of each medical centre.
	High credit quality tenants	✓ All 6 properties are tenanted by Primary Health Care, an ASX100 listed company.
	Leases where the tenants are responsible for all, or substantially all, of the statutory and operating outgoings and costs including land tax, insurance, electricity, repairs and maintenance	✓ Under the terms of the leases, Primary Health Care is responsible for all operational and statutory outgoings including insurance, land tax (on a multiple holding basis) and repairs and maintenance (other than of a structural nature).
	Reversionary capital value risk which can be appropriately mitigated through active management	✓ The Healthcare Portfolio has a relatively long WALE (9.0[26] years) and the favourable macro fundamentals that underpin the healthcare sector provide a solid base on which Arena can actively management any reversionary risk.
ARF diversification strategy	Diversify the portfolio by sector	✓ The Stapling Proposal will give ARF Investors 18.9% exposure to the healthcare sector, reducing the current exposure to the childcare sector from 100% to 81.1%.[27]
	Diversify the portfolio by individual asset	✓ The Stapling Proposal will give ARF Investors exposure to 6 additional properties with the largest (Leichhardt) representing 4.2% of the value of the Combined Portfolio.[28]
	Diversify by tenant	✓ The Stapling Proposal will reduce ARF Investors' exposure to Goodstart to 52.8% (down from 65.2%) by gaining exposure to Primary Health Care of 19%.[29]

24 Per ARF Unit or Stapled Security (as applicable).
25 Both figures as at 30 June 2013.
26 As at 30 June 2013.
27 All percentages as at 30 June 2013 by reference to value.
28 As at 30 June 2013.
29 All percentages as at 30 June 2013, by reference to value.

2.4 Key disadvantages and risks of the Stapling Proposal

Arena considers the main disadvantages of the Stapling Proposal to be:

- As a result of funding the Redemption Offer, the Gearing Ratio will increase from 10.6% (for ARF as at 30 June 2013) to between 23% and 29% for the Stapled Group (noting that this remains below ARF's target gearing ratio of 35% to 45%). If the Stapling Proposal is approved and implemented, the facility limit under ARF's Debt Facility will increase to $140 million (compared to ARF's current facility limit of $110 million); and
- As a result of funding the Redemption Offer and the costs of implementing the Stapling Proposal, the NTA per Stapled Security will be between 1.2% and 2.2%[30] less than the NTA per ARF Unit (on a stand-alone basis) as at 30 June 2013.

Arena considers the key risks relating to an investment in the Stapled Group to be:

Concentration risk

- The Combined Portfolio of the Stapled Group will be 81.1% invested in childcare centre properties and 18.9% invested in healthcare centres.[31] Adverse events affecting the childcare and healthcare sectors or industries may result in general deterioration of tenants' ability to meet their lease obligations across the Combined Portfolio.
- 52.8% of the Combined Portfolio is leased to Goodstart and 19% of the Combined Portfolio is leased to Primary Health Care[32]. If Goodstart or Primary Health Care do not meet their lease obligations for any reason, this could reduce the Stapled Group's income and/or adversely impact the value of its Properties.

Tenant risk

- The Stapled Group will rely on tenants to generate its revenue. If a tenant is affected by financial difficulties it may default on its rental or other contractual obligations which may result in loss of rental income or losses to the value of the Stapled Group's Properties.

Regulation and licensing risk

- The provision of childcare services and healthcare services are regulated activities in Australia. There is therefore a risk that if a relevant licence or accreditation is revoked or not reviewed, a suitably qualified replacement tenant may not be found.

Government funding, policy risk and changes in law

- Childcare and healthcare operators rely heavily on government funding, which if reduced, may adversely impact the underlying demand for childcare or healthcare services and therefore tenants' ability to meet lease obligations. There is a risk that there may be changes in legislation, government policy or legal or judicial interpretation relating to both sectors.

Alternative use risk

- The reversionary risks associated with investing in real estate assets are greater for special purpose facilities such as childcare and medical centres, which may require extensive expenditure and/or re-zoning to be suitable for other commercial purposes.

Arena considers the key risks relating to both current Properties and future investment strategy to be:

Acquisitions and divestments risk

- The Stapled Group intends to make additional investments to diversify its portfolio, which may include the acquisition of additional childcare centres, healthcare properties or other assets. Future acquisitions (other than as previously disclosed) may affect the level of future returns to Investors of the Stapled Group. The Stapled Group may sell one or more Properties, which may result in a capital loss and a reduction of income.

Re-leasing and vacancy risk

- There is a risk that the Stapled Group may not be able to negotiate suitable lease extensions with existing tenants or replace outgoing tenants with new tenants on substantially the same terms. The Stapled Group could also incur additional costs associated with re-leasing the Properties. Re-leasing the Properties would depend on market conditions and financial considerations prevalent at that time. There are 33 childcare centres leased to Goodstart where the tenant's 5 year lease extension option must be exercised during FY14.

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30 The exact percentage within this range will depend on the number of SHCT Investors who accept the Redemption Offer.
31 As at 30 June 2013, by reference to value.
32 As at 30 June 2013, by reference to value.

For further information on risks in these categories and specific risks relating to an investment in the Stapled Group see Section 5 of the PDS.

2.5 Independent Expert

Arena commissioned Moore Stephens to prepare an Independent Expert's Report to express an opinion as to whether the Stapling Proposal is in the best interests of, and fair and reasonable to, ARF Investors.

The Independent Expert has concluded that the Stapling Proposal is "in the best interest of, and fair and reasonable to" ARF Investors in the absence of a superior proposal.

The Independent Expert's Report is set out in Section 5.

2.6 Directors' recommendation

The Arena Board considers the Stapling Proposal is in the best interests of ARF Investors (in the absence of a superior proposal) and unanimously recommends ARF Investors vote in favour of BOTH Resolutions.

2.7 Implications if the Stapling Proposal does not proceed

If the Stapling Proposal does not proceed for any reason, ARF will remain listed on ASX in its current form.

ARF has incurred $550,000 of transaction costs, whether or not the Stapling Proposal is implemented.

2.8 Details of the Stapling Resolution

The Stapling Resolution authorises Arena to make changes to the ARF Constitution falling into two categories, and Stapling Proposal Changes and General Constitutional Changes. These are summarised below.

(a) Stapling Proposal Changes

Resolution 1 authorises changes to the ARF Constitution which empower Arena to facilitate the Stapling Proposal. In summary, these changes include:

- stapling provisions which empower the responsible entity of ARF to undertake a stapling of ARF Units with SHCT Units. Generally the stapling provisions provide that, from the date of stapling:
  - ARF Units can only be issued or redeemed if a corresponding number of SHCT Units are issued or redeemed; and
  - ARF Units can only be transferred if a corresponding number of SHCT Units are transferred;
- allowing the responsible entity of ARF and the responsible entity of SHCT to agree on the allocation issue, redemption, cancellation and buyback prices or failing agreement, be based on the fair value based on the net asset backing of ARF Units and SHCT Units;
- allowing the responsible entity of ARF to exercise any power or discretion having regard to the interests of ARF Investors as Stapled Securityholders;
- empowering the responsible entity of ARF to give effect to any necessary modifications or variations to the terms of the Stapling Proposal which are not expressly provided for in the terms of the Stapling Proposal;
- appointing the responsible entity of ARF and its officers as agent and attorney of ARF Investors to implement the Stapling Proposal; and
- empowering the responsible entity of ARF to appoint a sale nominee (**Sale Nominee**) on behalf of Foreign Investors where it reasonably considers that it would be unreasonable to issue or transfer SHCT Units to a Foreign Investor, having regard to the cost of determining, and complying with, the legal requirements and the requirements of any relevant regulatory authority applicable to the issue or transfer of SHCT Units in the foreign place. Each Foreign Investor consents to and directs:
  - the responsible entity of ARF to pay any distributions, withdrawal proceeds or other payments in respect of its ARF Units, which are to be used to obtain SHCT Units (**Amount**), to the Sale Nominee;
  - the Sale Nominee to apply the Amount to obtain SHCT Units;

- the Sale Nominee to then sell any Stapled Security; and
- the Sale Nominee to pay the sale consideration to the Foreign Investor as soon as practicable after the sale of the relevant Stapled Securities.

(b) General Constitutional Changes

These proposed changes to the ARF Constitution, some of which were foreshadowed in ARF's IPO PDS, are primarily of an administrative nature, reflecting its transition to being a listed entity. These changes include:

- empowering the responsible entity of ARF to make in specie distributions to ARF Investors, including acting as agent and attorney for ARF Investors to sign all documents required to effect such in specie transfers;
- allowing the responsible entity of ARF to be issued with ARF Units or Stapled Securities in lieu of receiving fees;
- entitling ARF Investors to distributions based on the number of ARF Units held at the end of a distribution period;
- giving the responsible entity of ARF the power to sell the ARF Units of ARF Investors that do not hold a marketable parcel of ARF Units;
- various amendments to allow the responsible entity of ARF to issue ARF Units at a price which is referable to the market price of the ARF Units. In particular, the responsible entity of ARF can issue ARF Units at no less than 50% of the average market price over a period of up to 20 trading days immediately prior to the date on which the ARF Units are issued; and
- embodying in the ARF Constitution, current ongoing management fee of:
  - 0.8% per annum of the gross value of the assets (as that term is defined in the ARF Constitution) up to $400 million;
  - 0.7% per annum of the gross value of the assets (as that term is defined in the ARF Constitution) greater than $400 million and up to $950 million; and
  - 0.6% per annum of the gross value of the assets (as that term is defined in the ARF Constitution) greater than $950 million.

A detailed summary of the Constitutions if the Stapling Proposal is implemented is contained in Section 12.1 of the PDS.

2.9 Stapling Deed

If the Stapling Proposal is approved, Arena, on behalf of both ARF and SHCT proposes to enter into a Stapling Deed which will set out various matters in respect of the relationship between ARF and SHCT and the ARF Units and SHCT Units which will be stapled to form Stapled Securities.

A detailed summary of the Stapling Deed is contained in Section 12.2 of the PDS.

3 Financial Information

3.1 Introduction

The financial information in this Section 3 is presented in a summarised form and has been extracted from the Financial Information contained in Section 7 of the PDS.

The financial information contained in this Section 3 comprises:

- The **ARF and Stapled Group Income Statements** comprising:
  - Historical income statement for ARF for the year ended 30 June 2013 derived from ARF's audited financial statements (**ARF FY13 Historical**);
  - Forecast income statement for ARF for the year ending 30 June 2014 (**ARF FY14 Forecast**);
  - Pro forma forecast income statement for the Stapled Group for the year ending 30 June 2014 assuming the Stapling Proposal was implemented on 1 July 2013 (**Stapled Group FY14 Pro Forma Forecast**); and
  - Pro forma forecast income statement for the Stapled Group for the year ending 30 June 2014 assuming the Stapled Proposal is implemented on the Stapling Record Date (**Stapled Group FY14 Statutory Forecast**).
- The **Pro Forma Balance Sheets** comprising:
  - Pro forma historical balance sheet for ARF as at 30 June 2013 derived from the audited financial statements of ARF (**ARF Pro Forma Balance Sheet**);
  - Historical balance sheet for SHCT as at 30 June 2013 derived from the audited financial statements of SHCT (**SHCT Historical Balance Sheet**); and
  - Pro forma historical balance sheet for the Stapled Group as at 30 June 2013 adjusted for certain transactions assuming the Stapling Proposal occurred on 30 June 2013 (**Stapled Group Pro Forma Balance Sheet**).

3.2 Further Financial Information

ARF Investors should refer to Section 7 of the PDS for further financial information in respect of the Stapled Group, ARF and SHCT.

3.3 Basis of preparation

(a) Overview

The Arena Board is responsible for the preparation of the Financial Information. The Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards and other mandatory professional reporting requirements in Australia, except where otherwise disclosed.

The Financial Information is presented in an abbreviated format and does not contain all the disclosures provided in an annual report prepared in accordance with the Corporations Act and presents financial information on a basis (such as EBIT and Net operating profit available for distribution), which are not in accordance with the presentation requirements of Australian Accounting Standards.

ARF Investors should refer to Section 7.2 of the PDS for further information on the basis of preparation of the Financial Information.

PricewaterhouseCoopers Securities Ltd has prepared an Investigating Accountant's Report in respect of the Financial Information contained in Section 7 of the PDS which is set out in Section 8 of the PDS. ARF Investors should note the scope and limitations of that report.

(b) Forecast Financial Information

Arena has prepared the Forecasts based upon various assumptions. Due care and attention has been given to the preparation of the Forecasts and the assumptions represent Arena's best estimate of anticipated future transactions and events based on information and documentation available at the date of issue of the PDS. Arena considers the Forecasts to be reasonable and that there is a reasonable basis for the preparation of the Forecasts. ARF Investors should appreciate that forecasts by their very nature are subject to uncertainties which may be outside of the control of Arena or may not be capable of being foreseen or accurately predicted. As such, actual results may differ from the Forecasts and such differences may be material. There can be no guarantee or assurance that the Forecasts will be achieved.

ARF Investors are advised to review the best estimate assumptions set out in Section 7.5 of the PDS (for the Stapled Group), Section 7.8.1 of the PDS (for ARF), Section 7.9.1 (for SHCT), the sensitivity analysis set out in Section 7.7 of the PDS, the risk factors set out in Section 5 of the PDS and other relevant information set out within the PDS.

ARF Investors should note that the Forecasts exclude fair value adjustments for the mark-to-market of interest rate swaps used for hedging interest rate risk and revaluation of investment properties (net of transaction costs). These fair market value movements are excluded from the Forecasts as Arena does not believe that there is a reasonable basis for a forecast as they may be subject to external market factors such as market yields and general economic conditions. These items are also excluded from the assessment of underlying earnings used by Arena to determine periodic distributions to ARF Investors.

3.4 ARF and Stapled Group Income Statements

Set out in the table below are historical and forecast income statements in respect of ARF as a stand-alone Trust and for the Stapled Group. Each Income Statement has been extracted from Section 7 of the PDS.

The historical information presented in the table below is only provided in respect of FY13. Historical information in respect of FY11 and FY12 is included in Section 7 of the PDS.

	Historical		Forecast		
$ million	ARF FY13 Historical	Stapled Group FY13 Pro Forma Historical[1,3]	ARF FY14 Forecast	Stapled Group FY14 Pro Forma Forecast[1,3]	Stapled Group FY14 Statutory Forecast[2]
Income					
Net property income	20.3	25.0	20.9	25.7	23.4
Straight lining of rental income[4]	0.5	0.4	0.3	0.3	0.3
Other income	0.6	0.6	–	–	–
Expenses					
Management fees	(2.4)	(2.4)	(1.9)	(2.5)	(2.2)
Other operating expenses	(0.8)	(0.9)	(0.5)	(0.6)	(0.6)
Stapling transaction costs	–	–	–	–	(1.2)
EBIT	**18.2**	**22.7**	**18.8**	**22.9**	**19.7**
Net interest and borrowing costs	(7.3)	(8.9)	(1.6)	(3.7)	(2.8)
Net operating profit excluding fair value adjustments	**10.9**	**13.8**	**17.2**	**19.2**	**16.9**
Non-distributable income and expenses:					
– Straight-lining of future fixed rental increases[4]	(0.5)	(0.4)	(0.3)	(0.3)	(0.3)
– Write-off capitalised borrowing costs	0.8	0.8	–	–	–
– Stapling transaction costs	–	–	–	–	1.2
Net operating profit available for distribution[5,6]	**11.2**	**14.2**	**16.9**	**18.9**	**17.8**
Weighted average number of securities on Issue (million)	135.7	162.7	206.3	213.5	209.9
Underlying Earnings per Security (cents)	**8.2**	**8.7**	**8.2**	**8.8**	**8.5**
Distribution per Unit (cents)	**8.0**		**8.2**		**8.45**
Tax deferred component[7]	**83%**		**28%**		**26%**

Notes:

1. Represents the annualised pro forma FY13 historical and FY14 forecast income statement for the Stapled Group assuming the Stapling Proposal occurred on 1 July 2012.
2. Assumes the Stapling Proposal occurs on the Stapling Record Date and therefore includes 12 months of contribution from ARF, but only approximately 6 months contribution from SHCT. A reconciliation between the Stapled Group FY14 Pro Forma Forecast and the Stapled Group FY14 Statutory Forecast is set out in Section 7.3.2 of the PDS.

3. The Stapled Group's pro forma income statements have been derived from consolidating the income statements of ARF (as set out in Section 7.8.2 of the PDS) and SHCT (as set out in Section 7.9.2 of the PDS) in each relevant historical period adjusted to:
    a. reduce the management fees expense of the Stapled Group in comparison to the actual fees incurred by ARF and SHCT in each relevant historical period (reductions of $0.6 million in FY13 representing a 20% reduction of the consolidated historical management fees in-line with the fee arrangements that will apply to the Stapled Group); and
    b. eliminate SHCT's Deferred Management and Performance Fees expense (as set out in Section 7.9.2 of the PDS) which will not be accrued under the fee structure of the Stapled Group.
4. Represents the non-cash income from the straight-lining of future fixed rental increases per Australian Accounting Standards which are excluded from distributions to investors.
5. Net operating profit available for distribution represents net income from which cash distributions will be determined. In addition to the items noted above, this excludes the movement in fair market value from the revaluation of interest rate swaps and investment property and asset acquisition costs. Refer to Section 13 of the PDS for further information on the Stapled Group's distribution policy.
6. ARF's and the Stapled Group's net cash flow from operating activities is expected to be substantially the same as net operating income over the course of a reporting period as operating cashflow generally occurs within the 30 day period prior to or following the relevant transaction being recognised in the income statement.
7. Percentage of distribution expected to be tax deferred. Refer to Section 4 for information on the tax implications from holding Stapled Securities.

3.5 Pro Forma Balance Sheets

The following table has been extracted from Section 7.4 of the PDS.

			Pro Forma Adjustments		
As at 30 June 2013 $ million	ARF Pro Forma	SHCT Historical	SHCT Accrued Fees[1]	Stapling Proposal[2]	Stapled Group Pro Forma
Cash	4.4	1.0	–	–	5.4
Trade and other receivables	1.8	0.3	–	–	2.1
Investment properties	236.5	54.7	–	0.5	291.7
Total Assets	**242.7**	**56.0**	–	**0.5**	**299.2**
Trade and other payables	3.3	0.5	–	–	3.8
Deferred Management and Performance Fees[1]	–	3.4	(3.4)	–	–
Distribution payable	3.3	0.7	–	–	4.0
Borrowings (non-current)[4]	26.0	23.7	3.4	24.6	77.7
Interest rate swaps	0.1	0.1	–	–	0.2
Total Liabilities	**32.7**	**28.4**	–	**24.6**	**85.7**
Net Assets	**210.0**	**27.6**	–	**(24.1)**	**213.5**
Total Equity	**210.0**	**27.6**	–	**(24.1)**	**213.5**
Securities on Issue (millions)[3]	206.3	27.0			213.5
NTA per Unit	**$1.02**	**$1.02**			**$1.00**
Gearing Ratio[5]	**11%**	**42%**			**26%**

Notes:

1. The Stapling Proposal provides for SHCT's existing Deferred Management and Performance Fees liability to become payable on the Admission Date. SHCT will use the Debt Facility to fund the payment.
2. Represents the debt funding for the assumed redemption of the entitlement to 19.8 million Stapled Securities under the Redemption Offer ($22.9 million), payment of transaction costs ($1.2 million) and asset transaction fees ($0.5 million) associated with the Stapling Proposal. ARF Investors should refer to Section 7.5 of the PDS for assumptions in relation to the Redemption Offer and Section 7.7.2 of the PDS on sensitivities in respect of the Redemption Offer.

3. The Stapled Group Pro Forma number of Securities on Issue of 213.5 million represents the forecast number of Stapled Securities on issue (represented by 1 unit in ARF and 1 unit in SHCT) following the capital returns and the completion of the Redemption Offer. ARF Investors should refer to Section 7.5.1 of the PDS for assumptions in respect of the Redemption Offer and Section 7.7.2 of the PDS on sensitivities in respect of the Redemption Offer.
4. Interest bearing liabilities are presented at the drawn amount.
5. Gearing Ratio is calculated as Borrowings / Total Assets.

3.6 Distribution Guidance

Distributions are determined by Arena with reference to the Net operating profit available for distribution which represents underlying profit for the relevant period. Refer to Section 13 of the PDS for further information on the Distribution Policy.

Distributions to ARF Investors are generally expected to be payable quarterly in arrears to ARF Investors on the unit register on the distribution record date. Distributions are expected to be paid within 8 weeks following the end of each quarterly period.

(a) ARF Interim Distribution (December 2013 Quarter)

ARF Investors will receive a distribution from ARF of 1.70 cents per ARF Unit for the December 2013 quarter pro-rated for the period prior to the Admission Date.

(b) Stapled Group Distributions

If the Stapling Proposal proceeds, the Stapled Group is forecast to pay distributions to ARF Investors in respect of distribution periods subsequent to the Admission Date. The first distribution from the Stapled Group will be for the period from Admission Date to 31 March 2014. The following distributions are forecast to be paid by the Stapled Group in respect of FY14 for the period post implementation of the Stapling:

Distribution period	Distribution (per Stapled Security)
Admission Date to 31 March 2014	2.50 cents
June Quarter 2014	2.20 cents

(c) Full Year FY14 Distribution

If the Stapling Proposal proceeds, ARF Investors are forecast to receive a total FY14 distribution of 8.45 cents per Stapled Security.

If the Stapling Proposal does not proceed, ARF Investors are forecast to receive a total FY14 distribution of 8.2 cents per ARF Unit.

4 Tax information for ARF Investors

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The Directors
Arena Investment Management Limited
Level 20, 600 Bourke Street
MELBOURNE VIC 3000

1 November 2013

Dear Sirs

Taxation implications for ARF Investors

This taxation report has been prepared for insertion in the Notice of Meeting and Explanatory Memorandum dated 1 November 2013. Terms capitalised, but not defined, in this taxation report are as defined in the Notice of Meeting and Explanatory Memorandum Glossary. This report comprises a brief guide to the Australian income tax, GST and stamp duty consequences for ARF Investors. These comments are necessarily general in nature and do not attempt to address all of the Australian income tax, GST and stamp duty consequences relevant to ARF Investors.

The comments outline the Australian income tax, GST and stamp duty consequences only and do not address other Australian tax consequences or the tax consequences under any foreign law, including foreign tax law. These comments are not relevant to taxpayers who:

- are not Australian tax residents;
- are exempt from income tax in Australia;
- invest or trade in units in the ordinary course of their business; or
- are subject to Division 230 of the Income Tax Assessment Act 1997 (i.e. Taxation of Financial Arrangements).

The Australian income tax, GST and stamp duty treatment and consequences of the Stapling Proposal will vary depending on the particular circumstances of each ARF Investor. ARF Investors should obtain, and only rely upon, their own independent taxation advice having regard to their specific circumstances, about the consequences of the Stapling Proposal and the consequences after completion of the Stapling Proposal.

The comments set out below are based on current Australian law and the judicial and administrative interpretations of the Income Tax Assessment Act (1997), Income Tax Assessment Act (1936), Taxation Administration Act (1953) (collectively referred to as the **Tax Act**), A New Tax System (Goods and Services Tax) Act 1999 (**GST Act**) and the relevant stamp duty legislation. However, ARF Investors should be aware that the ultimate interpretation of the Australian tax law rests with the Australian courts, and that the law, and the way that the Australian Taxation Office (**ATO**) and state revenue offices interprets and administers the law, may change over time.

This taxation commentary should be read in conjunction with the remainder of the Notice of Meeting and Explanatory Memorandum.

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The information contained in this taxation report does not constitute "financial product advice" within the meaning of the Corporations Act 2001 (Cth) ("Corporations Act"). The PricewaterhouseCoopers partnership which is providing this advice is not licensed to provide financial product advice under the Corporations Act. To the extent that this document contains any information about a "financial product" within the meaning of the Corporations Act, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider taking advice from a person who is licensed to provide financial product advice under the Corporations Act. Any recipient should, before acting on this material, also consider the appropriateness of this material having regard to their objectives, financial situation and needs, and consider obtaining independent financial advice.

1. The Stapling Proposal

As part of the Stapling Proposal, it is anticipated that the following events will take place.

(a) Return of capital

ARF Investors will receive a return of capital of $0.133151 per ARF Unit.

The return of capital ARF will reduce the capital gains tax (**CGT**) cost base of each unit in ARF held by an ARF Investor by the amount of the capital return.

To the extent that the return of capital amount per ARF Unit exceeds an ARF Investors CGT cost base per Unit, the excess will be a CGT gain to the ARF Investor. ARF Investors may be entitled to claim the CGT discount on any capital gain.

Please see below for details of the treatment of capital gains and the CGT discount.

(b) Subscription for new units

The return of capital received by the ARF Investors will be reinvested on behalf of the ARF Investors to subscribe for New SHCT Units. Each ARF Investor should have as their first element of the tax cost base in New SHCT Units an amount equal to the amount paid to acquire the New SHCT Unit. On this basis, the first element of CGT cost base in each New SHCT Unit should be $0.133151 per unit. ARF Investors will be deemed to acquire the New SHCT Units at the time they become the owner of the units.

2. Post completion of the Stapling Proposal

(a) Underlying units

The Stapled Securities in the Stapled Group will consist of an ARF Unit and a SHCT Unit.

(b) Distributions from the Stapled Group

Distributions from the Stapled Group will comprise distributions from ARF and SHCT.

A unit trust is taxed in a similar manner to a company if it is classified as a 'corporate unit trust' under Division 6B or a 'public trading trust' under Division 6C of Part III of the Tax Act. Based on the Trusts' expected circumstances and operations, neither of the Trusts should fall under either of these

Divisions. We would expect the same conclusions to apply in future income years, but observe that the Division 6C test for a public trading trust is undertaken on a yearly basis and looks at the activities of the Trusts and any entities they control at all times in each income year. Accordingly, we expect that each of the Trusts should continue to be 'flow-through' entities for Australian income tax purposes.

Investors will be required to include their proportion of each of the Trusts' net income in their assessable income.

Any capital gain included in each of the Trusts' net income should be grossed up to the pre-discount amount. To the extent that an Investor is entitled to a CGT discount, the discount should be applied (please see below for details of the CGT discount).

Calculating a Trust's net income

The net income of a Trust should include rental income derived from properties. Capital allowances deductions, management fees paid by the Trust to Arena and generally other routine expenses should be deducted from the income to determine the net income of a Trust.

If a Trust disposes of an Australian investment property, whether the disposal is on capital or revenue account is a question of fact. On the basis that the Trust intends to hold its investment properties for an extended period and derive rental income from the properties, the Trust should be considered to hold its properties on capital account. As such a Trust will derive a capital gain to the extent that the consideration received on disposal of a property exceeds the tax cost base of the property. A Trust will incur a capital loss on the disposal of a property to the extent that the consideration on disposal is less than the reduced tax cost base of the property.

To the extent that there is a capital gain, the Trust should apply the CGT discount to reduce the capital gain included in its net income (please see below for details of the CGT discount). If the Trust incurs a capital loss, it can carry the loss forward to recoup against future capital gains. The Trust cannot distribute the loss to Investors.

Tax-deferred distributions

At times an Investor may receive distributions from a Trust that exceed the Investor's share of the net income of that Trust. These excess distributions are called tax-deferred distributions and may arise due to different accounting and taxation treatments of certain income and expense items of the Trusts.

If an Investor receives a tax-deferred amount, the Investor is required to reduce the tax cost base of their units in the Trust paying the tax-deferred distribution by the relevant amount. Where the tax-deferred distribution exceeds the current tax cost base of the Investor's units, a capital gain will arise equal to the excess amount. Investors may be entitled to claim the CGT discount on any capital gain.

Please see below for details of the treatment of capital gains and the CGT discount.

Completion of Australian income tax returns

Investors should wait until receipt of a tax statement each year before completing an income tax return. The tax statement will provide Investors with full details of the Investors' proportionate share of net income for each Trust for an income tax year.

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(c) Disposal of Stapled Securities

For CGT purposes, the disposal of Stapled Securities will be treated as the disposal of two separate assets; a unit in ARF and a unit in SHCT. The CGT rules will apply separately to each asset. As the components of the Stapled Securities cannot be acquired or traded separately, an apportionment of the sale proceeds between the two assets will be required based on the relative market value of each at the time of the disposal.

Investors will derive a capital gain on the disposal of a unit to the extent that the consideration received on disposal exceeds the cost base of the unit. Investors will incur a capital loss on the disposal of a unit to the extent that the consideration on disposal is less than the reduced cost base of the unit. Cost base adjustments may be required (and capital gains may arise) where the Trusts make a tax-deferred distribution on units. In general terms, the cost base in each of the units will be the amount paid to acquire the unit less any adjustments for tax deferred distributions.

All capital gains and capital losses arising in a financial year are added together to determine whether an Investor has derived a net capital gain or incurred a net capital loss in a year.

Treatment of capital gains and losses

If an Investor derives a net capital gain in a year, this amount, subject to the comments below, is included in the Investor's assessable income. If an Investor incurs a net capital loss in a year, this amount is carried forward and may be available to offset capital gains derived in the same income year or subsequent years, subject in some cases to the Investors satisfying certain rules relating to the recoupment of carried forward losses.

CGT Discount

An Investor (either an individual or a complying superannuation fund) may be entitled to a CGT discount in respect of a taxable capital gain realised on the ultimate disposal of Stapled Securities, if the Stapled Securities are disposed of at least 12 months after the date of acquisition. The CGT discount applies to reduce capital gains made by individuals by 50% and capital gains made by complying superannuation funds by 33 1/3%. The CGT discount is not available for companies.

3. Tax File Number and Australian Business Number

An Australian Investor may quote their Tax File Number (TFN) or, where relevant, Australian Business Number (ABN) to Arena. If a TFN or ABN is not quoted, tax may be deducted from any assessable amount paid to Investors. The rate of withholding is 46.5% being the highest marginal tax rate plus Medicare levy.

4. Goods and Services Tax

The acquisition of Units and the ultimate disposal of Stapled Securities will generally be financial supplies and, consequently, no GST should be payable in respect of these transactions.

The ability of an Australian resident that is registered or required to be registered for GST to claim input tax credits on related transaction costs (if any) may be restricted. This is a complex area of the GST law and hence we recommend that such Australian residents seek their own independent tax advice in this regard.

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5. Stamp duty

No stamp duty should be payable by Investors under the Proposal.

* * *

Yours sincerely

Kirsten Arblaster
Partner
PricewaterhouseCoopers

5 Independent Expert's Report

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31 October 2013

The Directors
Arena Investment Management Limited
Level 20
600 Bourke Street
MELBOURNE VIC 3000

Dear Sirs,

INDEPENDENT EXPERT'S REPORT FOR UNIT HOLDERS OF ARENA REIT AND SYDNEY HEALTHCARE TRUST

1. Introduction

Arena Investment Management Limited ("Arena") in its capacity as Responsible Entity of Arena REIT ("ARF") has made a proposal to Sydney Healthcare Trust ("SHCT") ("Stapling Proposal") to create an ASX listed stapled entity ("Stapled Group"). The successful implementation of the Stapling Proposal would give effect to:

- the stapling of the units of SHCT to the units of ARF at a ratio of one SHCT unit for one ARF unit (the "Stapling"); and
- an offer for existing SHCT Unit Holders to redeem all or a part of their entitlement to listed Stapled Securities for cash consideration equivalent to $1.15 per SHCT unit held before the stapling ("Redemption Offer").

collectively, the Proposed Transactions.

The Stapling ratio has been determined by Arena in its capacity as the Responsible Entity of SHCT and ARF. The ratio of one SHCT unit for one ARF unit is based on Arena's assessment of the relative contribution of ARF and SHCT to the value of the Stapled Group. The following factors were considered by Arena:

- the net assets that will be contributed by ARF and SHCT to the Stapled Group; and
- the ARF volume weighted average price ("VWAP") on 4 October 2013 assessed over 3, 5, 7, 10 and 15 days and one month.

In determining the redemption price that would be offered to existing SHCT Unit Holders for their entitlement to redeem a Stapled Security of $1.15, Arena considered the following:

- the impact on the unit price of the Stapled Group of having existing SHCT Unit Holders seeking to realise the liquidity in their Stapled Securities;
- the benefits of the portfolio to ARF and, therefore, the need for a competitive offer;
- the ARF VWAP on 4 October 2013 assessed over 3, 5, 7, 10 and 15 days and one month;
- the effectiveness of the stapling structure relating to transaction costs (including stamp duty);
- the price at which ARF could reasonably undertake a placement of new units in the current market;
- the total cost to ARF, including transaction costs, of acquiring the property portfolio from SHCT rather than implementing the Stapling Proposal; and
- an assessment of the potential price Stapled Securities might trade on the ASX post-Stapling.

If the Stapling is implemented in accordance with the terms, conditions and obligations contained in the Stapling Proposal:

- SHCT will provide an entitlement to 206,342,963 new units to ARF unit holders;
- ARF will provide an entitlement to 27,019,634 new units to SHCT unit holders;
- SHCT units will be stapled to ARF units and be jointly quoted on the ASX under the code ARF ("Stapled Security");
- There will be entitlements to 233,362,597 Stapled Securities before any redemptions by existing SHCT unit holders;
- APF will redeem its entitlement to 12,672,684 Stapled Securities at $1.15 per Stapled Security;
- SHCT Unit Holders, other than APF ("Non-associated SHCT Unit Holders"), will have their 53.10% holding of units in SHCT diluted by the issue of new SHCT units to ARF Unit Holders. Non-associated SHCT Unit Holders will control 6.5% of the Stapled Securities and will be able to redeem all or a portion of their entitlement to Stapled Securities for $1.15 per Stapled Security;
- ARF Unit Holders will have their 100% holding of the units in ARF diluted by the issue of New Units to SHCT Unit Holders. ARF Unit Holders will control 93.50% of the Stapled Securities;
- The final number of Stapled Securities on issue will be up to 220,689,913, assuming no other SHCT Unit Holder elects to redeem their entitlement to Stapled Securities; and
- SHCT and ARF will operate as a combined group and holders of Stapled Securities will be exposed to the combined property portfolio of childcare centres and medical centres.

The Redemption Offer provides existing SHCT Unit Holders with a liquidity event at a fixed price of $1.15 per entitlement to a Stapled Security. The Redemption Offer is only available as part of the Proposed Transactions and can only be elected by SHCT Unit Holders by delivering an election form on or before Wednesday 4 December 2013. The redemption price is equivalent to a 12.7% premium on our valuation of an SHCT unit.

SHCT Unit Holders who do not elect to redeem their entitlement to Stapled Securities will be exposed to the performance of the Stapled Group and will be able to sell their Stapled Securities on the ASX at any time from Wednesday 11 December 2013 when the Stapled Securities are expected to begin trading on the ASX on a deferred settlement basis.

The Redemption Offer is not open for participation by existing ARF Unit Holders. However, ARF units are listed on the ASX and are therefore able to be traded up to Tuesday 10 December 2013. ARF Unit Holders will be able to sell their Stapled Securities on the ASX at any time from Wednesday 11 December 2013 when the Stapled Securities are expected to begin trading on the ASX on a deferred settlement basis.

Separate meetings of ARF Unit Holders and SHCT Unit Holders are scheduled to be held on or about 9 December 2013, at which those Unit Holders will consider a resolution to approve the Proposed Transactions. The Proposed Transactions require the approval of both ARF Unit Holders and SHCT Unit Holders to proceed.

The Directors of Arena have unanimously recommended that ARF Unit Holders vote in favour of the Proposed Transactions.

The Directors of Arena have unanimously recommended that SHCT Unit Holders vote in favour of the Proposed Transactions in the absence of a superior proposal.

This letter contains a summary of Moore Stephens' opinions and has been extracted from the full Independent Expert's Report ("Report"). This letter and the Report will accompany the Explanatory Memorandum sent to ARF Unit Holders and SHCT Unit Holders by Arena.

2. Scope of our Report

The Arena independent directors have engaged Moore Stephens to prepare an Independent Expert's Report stating whether, in its opinion:

- the Proposed Transactions are in the best interests of, and fair and reasonable to, SHCT Non-associated Unit Holders; and
- the Proposed Transactions are in the best interests of, and fair and reasonable to, ARF Unit Holders

and setting out the reasons for our opinions.

3. Basis of evaluation

In preparing our Report we have had regard to the Regulatory Guides issued by ASIC, in particular the guidelines set out in ASIC Regulatory Guide 111 "*Content of expert reports*" ("RG 111").

The Proposed Transactions will be in the best interests of unit holders if they are better off after the Proposed Transactions. RG 111 contemplates that a transaction would be 'in the best interest' of security holders if an expert found that the transaction was 'fair and reasonable' if it had been assessed as a takeover.

The Corporations Act 2001 does not define the term 'fair and reasonable'. However, RG 111 provides that each of these criteria be assessed individually and not as a compound phrase. In this regard, RG 111 provides that:

- an offer is fair if the value of the consideration being offered is equal to or greater than the value of the securities that are the subject of the offer. This comparison is required to be made assuming an acquisition of 100% of the entity and irrespective of whether the consideration is scrip or cash;
- an offer is reasonable if it is fair;
- an offer may be reasonable if, despite being not fair, the expert believes there are other reasons for shareholders to accept the offer in the absence of any higher offer before it closes.

4. Summary of opinion for ARF Unit Holders

In Moore Stephens' view, ARF Unit Holders will be better off if the Proposed Transactions are implemented than if they are not. The Proposed Transactions are in the best interest of, and are fair and reasonable to, ARF Unit Holders.

Full details of our opinion and the reasons for our opinion are set out in Section 11 of our Report. The following is a summary of the reasons for our opinion.

4.1 ARF's Proportional Contribution to the Stapled Group

Our assessed value of ARF's contribution to the Stapled Group is set out in Section 9 of our Report. Our assessed value of ARF's contribution as a proportion of the combined contribution of ARF and SHCT to the Stapled Group is compared to the proportion of entitlement to Stapled Securities held by ARF Unit Holders as follows:

Value of ARF contribution to the Stapled Group	$210,469,822
Total value contributed to the Stapled Group	$238,029,849
Proportion contributed by ARF	88.42%
Proportion of entitlement to Stapled Securities held by ARF Unit Holders	88.42%

As ARF's proportional contribution to the value of the Stapled Group is equal to ARF Unit Holders entitlement to Stapled Securities, in our opinion, the Stapling is fair to ARF Unit Holders.

4.2 The Redemption Offer

The Redemption Offer is for an entitlement to a Stapled Security, not a SHCT unit. Due to the fact that there is no spot price for a Stapled Security at the date of this Report and there will not be a spot price at the date SHCT Unit Holders have to make an election to redeem or hold the Stapled Securities, Moore Stephens has analysed the potential benefit of the Redemption Offer to SHCT Unit Holders by analysing the potential market price of a Stapled Security by reference to:

- the DPU yield at which comparable social infrastructure A-REITS trade on the ASX;
- the premium to NTA at which comparable infrastructure A-REITS trade on the ASX; and
- the VWAP of an ARF unit as a proxy for a Stapled Unit given the Stapling Ratio is 1:1.

This analysis is summarised below.

	Comparable A-REITS		Stapled Security price	
	Low	High	Low	High
DPU yield of listed comparables	7.8%	5.9%	$1.13	$1.49
NTA premium of listed comparables	-9.3%	27.8%	$0.91	$1.28
VWAP of ARF			$1.07	$1.16

The redemption price of $1.15 falls within our assessed range of potential scenarios, which indicates that the Stapled Group will redeem the SHCT Unit Holders at price within the range that a Stapled Security could be expected to trade on the ASX. However, the ranges are quite broad and are only indicative of potential scenarios based on historical market data at the date of this Report. The price that a Stapled Security will trade at on the ASX could be above or below $1.15.

In our opinion, the Redemption Offer is fair to ARF Unit Holders.

4.3 Advantages and Disadvantages of the Proposed Transactions to ARF Unit Holders

Our assessment of the advantages and disadvantages of the Proposed Transactions for ARF Unit Holders is set out in Section 11 of our Report. Set out below is a summary of those advantages and disadvantages.

Advantages	Disadvantages
The Proposed Transactions will be earnings accretive to ARF Unit Holders in FY2014.	The Proposed Transactions will result in the Stapled Group's gearing being 26.4% as opposed to ARF's gearing of 10.7%.
The Proposed Transactions provide the opportunity for ARF Unit Holders to gain exposure to properties with different characteristics and tenants compared to their current exposure.	NTA per unit will decrease from $1.02 to $1.00 due to the costs incurred by ARF in pursuing the Proposed Transactions.
The Stapled Group will have a significantly larger (23%) property portfolio than ARF on a standalone basis.	Foreign Investors will not receive Stapled Securities in connection with the Stapling Proposal.
The greater the number of SHCT Unit Holders that redeem, the higher the forecast DPU and EPU of the Stapled Group.	The Redemption Offer is funded by debt which, without the redemption, would be available for funding acquisitions.

In our opinion, the Proposed Transactions are reasonable to ARF Unit Holders.

4.4 Alternatives available to ARF Unit Holders

The table below summarises the alternatives to the Proposed Transactions that are realistically available to ARF Unit Holders.

Alternative	Description
Status quo	ARF Unit Holders could decide to not pursue growth through acquisitions and development. When compared to the Proposed Transactions this alternative would not be in the best interest of ARF Unit Holders as: • a status quo option could put downward pressure on the market price of ARF as there appears to be an expectation of future growth through acquisitions built into the unit price; and • the FY2014 DPU and EPU under the status quo will be less than under the Proposed Transactions.
Control transaction or portfolio acquisition with SHCT	In our view, there are risks associated with a control transaction with SHCT if the Proposed Transactions do not proceed: • it is unlikely that Arena, as Responsible Entity, for SHCT would accept a proposal from ARF in which SHCT Unit Holders are potentially worse off than under the Proposed Transactions; • an acquisition of SHCT Units or the SHCT property portfolio will incur stamp duty that will not be incurred if the Proposed Transactions are implemented. ARF would be liable for the stamp duty costs of approximately $3 million; • the redemption price is not significantly greater than the cost of acquiring SHCT units at NTA after taking into account the stamp duty ($1.14); and • the redemption price is less than the cost of acquiring SHCT units after taking into account the stamp duty and a 5% increase in the value of the property portfolio over the 30 June 2013 independent valuations ($1.26).
Further control transactions or acquisitions with third parties	ARF Unit Holders may prefer a control transaction or property transactions with other third parties. The Proposed Transactions would not preclude the Stapled Group from exploring other opportunities as the Stapled Group will have the flexibility and the capacity within the debt facility and access to equity capital markets to pursue transactions with third parties.

In our opinion, after the implementation of the Proposed Transactions, ARF Unit Holders will be better off than under an alternative transaction.

5. Summary of opinion for SHCT Unit Holders

In Moore Stephens' view, SHCT Unit Holders will be better off if the Proposed Transactions are implemented than if they are not. The Proposed Transactions are in the best interest of, and are fair and reasonable to, SHCT Unit Holders.

Full details of our opinion and the reasons for our opinion are set out in Section 12 of our Report. The following is a summary of the reasons for our opinion.

5.1 SHCT's Proportional Contribution to the Stapled Group

Our assessed value of SHCT's contribution to the Stapled Group is set out in Section 10 of our Report. Our assessed value of SHCT's contribution as a proportion of the combined contribution of ARF and SHCT to the Stapled Group is compared to the proportion of entitlement to Stapled Securities held by SHCT Unit Holders as follows:

Value of SHCT contribution to Stapled Group	$27,560,027
Total value contributed to the Stapled Group	$238,029,849
Proportion contributed by SHCT	11.58%
Proportion of entitlement to Stapled Securities held by SHCT Unit Holders	11.58%

As SHCT's proportional contribution to the value of the Stapled Group is equal to SHCT Unit Holders entitlement to Stapled Securities, in our opinion, the Stapling is fair to SHCT Non-associated Unit Holders.

5.2 The Redemption Offer

The Redemption Offer is for an entitlement to a Stapled Security, not a SHCT unit. Due to the fact that there is no spot price for a Stapled Security at the date of this Report and there will not be a spot price at the date SHCT Unit Holders have to make an election to redeem or hold the Stapled Securities, Moore Stephens has analysed the potential benefit of the Redemption Offer to SHCT Unit Holders by analysing the potential market price of a Stapled Security by reference to:

- the DPU yield at which comparable social infrastructure A-REITS trade on the ASX;
- the premium to NTA at which comparable infrastructure A-REITS trade on the ASX; and
- the VWAP of an ARF unit as a proxy for a Stapled Unit given the Stapling Ratio is 1:1.

This analysis is summarised below.

	Comparable A-REITS		Stapled Security price	
	Low	High	Low	High
DPU yield of listed comparables	7.8%	5.9%	$1.13	$1.49
NTA premium of listed comparables	-9.3%	27.8%	$0.91	$1.28
VWAP of ARF			$1.07	$1.16

The redemption price of $1.15 falls within our assessed range of potential scenarios, which indicates that the Stapled Group will redeem SHCT Unit Holders at price within the range that a Stapled Security could be expected to trade on the ASX. However, the ranges are quite broad and are only indicative of potential scenarios based on historical market data at the date of this Report. The price that a Stapled Security will trade at on the ASX could be above or below $1.15.

In our opinion, the Redemption Offer is fair to Non-associated SHCT Unit Holders.

5.3 Advantages and Disadvantages of the Proposed Transactions to SHCT Unit Holders

Our assessment of the advantages and disadvantages of the Proposed Transactions for SHCT Unit Holders is set out in Section 12 of our Report. Set out below is a summary of those advantages and disadvantages.

Advantages	Disadvantages
The Redemption Offer provides SHCT Unit Holders with a liquidity event at a fixed price, $1.15, at a fixed point in time regardless of the market price of a Stapled Security.	The FY2014 Stapled Group DPU post-Proposed Transactions will be materially less than the SHCT FY2014 DPU on a standalone basis.
The Redemption Offer provides SHCT Unit Holders with the choice between: • redeeming 100% of your entitlement to Stapled Securities; or • redeeming a portion of your entitlement to Stapled Securities and holding the balance in Stapled Securities; or • taking your full entitlement to Stapled Securities. This flexibility allows SHCT Unit Holders to take as much or as little exposure to the performance of the Stapled Group as they are comfortable with and fund any potential capital gains tax liability from the redemption proceeds while retaining exposure to the performance of the Stapled Group.	It is expected that SHCT Unit Holders will incur a CGT liability on the return of capital to fund the acquisition of ARF units as the capital return exceeds the cost base of a SHCT Unit. A SHCT Unit Holder who elects to redeem their Stapled Securities will be deemed to have disposed of the Stapled Security. A capital gain will arise equal to the difference between the redemption price of $1.15 and the cost base of the Stapled Security of $1.017. Depending on Unit Holders circumstances they may be entitled to claim the CGT discount on any capital gains.
The Stapled Group is expected to be included in the S&P/ASX 300 index and the S&P/ASX A-REIT 300 index. Inclusion in these indices may, over time, lead to improved liquidity and realisation of the fair value of a Stapled Security.	The Transaction Costs of the Proposed Transactions are estimated to be approximately $1.2 million. SHCT will incur costs of approximately $0.5 million regardless of whether the Proposed Transaction is implemented.
SHCT Unit Holders who elect to hold their Stapled Securities will benefit from the lower gearing of the Stapled Group and the headroom in the debt facility of $62m to take advantage of development and growth opportunities.	The Stapled Group's NTA per unit post-Proposed Transactions will be $1.00 as opposed to SHCT's NTA per unit of $1.02.
The Stapled Group will have a more diversified property portfolio. The ARF property portfolio is geographically diverse, exposed to 6 main tenants and concentrated in childcare and early learning.	Foreign Investors will not receive Stapled Securities in connection with the Stapling Proposal.
The initial annual management fee charged by Arena to the Stapled Group will be 0.80% of the gross value of assets. This is 0.20% less than Arena is presently entitled to charge SHCT.	
It is expected that the Stapling will not give rise to stamp duty on SHCT units.	
SHCT Unit Holders will receive a pro rata distribution of $0.0195 per unit up to the Stapling Date.	

In our opinion, the Proposed Transactions are reasonable to SHCT Non-associated Unit Holders.

5.4 Alternatives available to SHCT Unit Holders

If the Proposed Transactions do not proceed, Arena will need to find and implement an alternative proposal for SHCT Unit Holders prior to the end of the term of SHCT on 27 August 2014. The realistic alternatives available to SHCT Unit Holders are discussed below.

Alternative	Description
Sale of the property portfolio	The sale of the property portfolio is potentially an attractive alternative to the Proposed Transactions for SHCT Unit Holders. The sale of the portfolio would realise the value of the SHCT properties and allow Arena to settle all liabilities and distribute the net proceeds to unit holders. The Passing Yield, lease quality, demand for healthcare assets and WALE mean the property portfolio is marketable. In a co-ordinated selling program it is not unrealistic to expect that the portfolio could be sold in-line which may realise values in excess of the independent valuations at 30 June 2013. There are disadvantages and risks associated with this alternative: • to achieve a return of $1.15 per SHCT unit, the sale price of the property portfolio would need to exceed the 30 June 2013 independent valuations by approximately $5.3 million or 9.8%; • after taking into account the cost of selling the portfolio of properties and winding SHCT up, the NTA of SHCT is estimated to be approximately $0.99 based on the 30 June 2013 independent valuations. The redemption price of $1.15 is at a 15.6% premium to the adjusted NTA; • a co-ordinated selling campaign could take up to 9 months from start until final settlement and SHCT Unit Holders would not receive any sale proceeds until all liabilities had been settled; and • Arena has capped the deferred management fee and selling fee that it is entitled to under the Proposed Transactions at the amount owing based on the 30 June 2013 independent property valuations. In a realisation of the property portfolio Arena's fees would not be fixed and could exceed the values as at 30 June 2013. The Proposed Transactions do not preclude SHCT Unit Holders from realising the value of their property interests and provide more flexible, timely a certain options.
Extension of the trust	Any time up to 28 February 2014, Arena can issue an extension notice as Responsible Entity of SHCT asking Unit Holders if they want to extend the life of the trust for up to 5 years or exit their investment. If there is unanimous consent, the trust can be extended, otherwise Arena has to find new investors for all Unit Holders seeking an exit. The price at which SHCT units would be sold by Arena is the NTA of SHCT. An extension of the trust allows Unit Holders the opportunity to remain invested in SHCT and continue to receive distributions from their Units, which are forecast by SHCT to be 9.8 cents per unit in FY14. In assessing the option for the extension of the trust, it must be noted that the current strategy of APF is to liquidate their investments in unlisted funds. If APF wanted to exit SHCT rather than roll over their investment, Arena would have to find investors willing to acquire 12,672,684 units in SHCT. This represents 46.9% of SHCT units and there may be other investors seeking liquidity. In the event that Arena could not sell all of the SHCT units of Unit Holders who wish to exit, Arena would have to dispose of the properties and wind SHCT up.

Alternative	Description
	Furthermore, while SHCT can be extended for 5 years, the actual length of the extension would be uncertain. The longer the life of SHCT the shorter the WALE will be at the time SHCT disposes of the property portfolio. A short WALE at the time of selling the portfolio could have a negative impact on the sale value of the property portfolio unless Arena was able to negotiate new leases or lease extensions with the tenant. Attracting a sufficient number of new investors into SHCT to provide liquidity to existing SHCT Unit Holders when there is uncertainty about the length of the life of the trust and the WALE is exerting downward pressure on property values would be difficult. It is Moore Stephens' opinion that Arena is not likely to be able to find sufficient investors to provide liquidity for existing SHCT Unit Holders who might wish to exit SHCT if the life of the fund is extended.
Merger or control transaction with a third party	SHCT Unit Holders have the option to seek a merger or control transaction with a third party, rather than ARF. There are two listed entities with a mandate to acquire healthcare properties in Australia, Vital Healthcare Property Trust ("VHP") and Generation REIT ("GHC"). A control transaction with VHP, GHC or any other third party would likely require a capital and/or debt raising and would require substantial operational, property, legal and financial due diligence by both parties, the transaction costs of which would exceed those incurred in the Proposed Transactions. The key concern related to a third party control transaction is timing. A transaction with a third party would require negotiation between Arena and the other party, potential debt and/or equity raisings, due diligence and, potentially, security holder meetings. If a merger or control transaction with a third party did not proceed, Arena would be left with very little time to sell the property portfolio by the wind up date of 27 August 2014. There are no potential transactions with third parties involving SHCT currently being considered by Arena therefore it is not possible to know the terms on which a transaction might occur. It is likely that a transaction would occur at the NTA value of SHCT, subject to valuations, of $1.02 and provide a result for SHCT Unit Holders that is less beneficial than the Proposed Transactions.

In our opinion, after the implementation of the Proposed Transactions, SHCT Non-associated Unit Holders will be better off than under an alternative transaction.

6. Other matters

The decision on whether or not to approve the Proposed Transactions is a matter for each ARF Unit Holder and SHCT Unit Holder based on many factors, including: their own views of the value of their units, the potential value of a Stapled Security, their risk profile and investment strategy and expectations about future market conditions, ARF's performance, SHCT's performance and the Stapled Group's performance.

If ARF Unit Holders and SHCT Unit Holders are in any doubt about the action they should take in relation to the Proposed Transactions, they should seek their own professional advice.

Our Report has been prepared specifically for ARF Unit Holders and SHCT Unit Holders. Moore Stephens expressly disclaims any liability to any other party who relies or purports to rely on our Report for any purpose whatsoever.

Our Report contains only general financial product advice as it was prepared without taking into account the effect of the Proposed Transactions on the particular circumstances of individual Unit Holders and we have not taken into account the personal objectives, financial situation or needs of individual Unit Holders. You should consider the appropriateness of this general financial advice having regard to your own objectives, financial situation and needs before you act on this advice. You may wish to seek your own financial advice to assist you in assessing the advice in this Report. Our Financial Services Guide is set out in Appendix 1.

Moore Stephens has not provided any taxation advice in relation to the Proposed Transactions. ARF Unit Holders and SHCT Unit Holders should consider the information contained in the Notice of Meeting and Explanatory Memorandum as well as obtaining their own taxation advice in relation to any potential taxation implications.

The conclusions and opinions in our Report were made at the date of this letter and reflect the circumstances and conditions at that date.

Yours faithfully

Grant Sincock
Director and Authorised Representative
MOORE STEPHENS
CORPORATE FINANCE (MELB) PTY LTD

Kevin Neville
Director and Authorised Representative
MOORE STEPHENS
CORPORATE FINANCE (MELB) PTY LTD

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1. The Proposed Transaction

1.1 Background

Arena REIT ("ARF") is an ASX listed A-REIT with a portfolio of 177 childcare centres and development land. Section 4 of this Report contains information on ARF. The ARF Explanatory Memorandum contains information on ARF, the rationale for creating a Stapled Group and ARF's current intentions for the Stapled Group.

Sydney Health Care Trust ("SHCT") is an unlisted fixed term property trust with 6 large-scale medical centres leased to Primary Health Care ("PRY"). SHCT is nearing the end of its term and must dispose of its property assets by 27 August 2014 and return the net proceeds to unit holders, subject to the extension provisions under clause 15 of the SHCT Constitution. Section 5 of this Report contains information on SHCT. The SHCT Explanatory Memorandum contains information on SHCT and the rationale for agreeing to proceed with the stapling of SHCT units to ARF units.

Arena Investment Management Limited ("Arena") in its capacity as Responsible Entity of ARF has made a proposal to SHCT ("Stapling Proposal") to create an ASX listed stapled entity ("Stapled Group") and provides a framework to give effect to:

- the stapling of the units of SHCT to the units of ARF at a ratio of one SHCT unit for one ARF unit (the "Stapling"); and
- an offer for existing SHCT Unit Holders to redeem all or a part of their entitlement to listed Stapled Securities for cash consideration equivalent to $1.15 per SHCT unit held before the Stapling ("Redemption Offer").

collectively, the Proposed Transactions.

The independent directors of Arena have requested Moore Stephens Corporate Finance (Melb) Pty Ltd ("Moore Stephens") prepare an Independent Expert's Report to be included in the Explanatory Memorandums to be sent to ARF and SHCT Unit Holders to:

- assist the directors in assessing the Proposed Transactions and making a recommendation to ARF and SHCT Unit Holders due to the potential conflicts of interest arising from Arena being the Responsible Entity of ARF and SHCT and the Responsible Entity of SHCT's major Unit Holder, Arena Property Fund ("APF");
- to provide SHCT Unit Holders, other than APF, ("Non-associated SHCT Unit Holders") with information that is material to making an informed decision on how to vote on Resolution 1; and
- to provide ARF Unit Holders with the information that is material to making an informed decision on how to vote on Resolution 1.

1.2 The Stapling

The Stapling ratio has been determined by Arena in its capacity as the Responsible Entity of SHCT and ARF. The ratio of one SHCT unit for one ARF unit is based on Arena's assessment of the relative contribution of ARF and SHCT to the value of the Stapled Group. The following factors were considered by Arena:

- the net assets that will be contributed by ARF and SHCT to the Stapled Group;
- the ARF volume weighted average price ("VWAP") on 4 October 2013 assessed over 3, 5, 7, 10 and 15 days and one month;

In determining the redemption price that would be offered to existing SHCT Unit Holders for their entitlement to redeem a Stapled Security of $1.15, Arena considered the following:

- the impact on the unit price of the Stapled Group of having existing SHCT Unit Holders seeking to realise the liquidity in their Stapled Securities;
- the benefits of the portfolio to ARF and, therefore, the need for a competitive offer;

- the ARF VWAP on 4 October 2013 assessed over 3, 5, 7, 10 and 15 days and one month;
- the effectiveness of the stapling structure relating to transaction costs (including stamp duty);
- the price at which ARF could reasonably undertake a placement of new units in the current market;
- the total cost to ARF, including transaction costs, of acquiring the property portfolio from SHCT rather than implementing the Stapling Proposal; and
- an assessment of the potential price Stapled Securities might trade on the ASX post-Stapling.

On 14 October 2013, Arena in its capacity as Responsible Entity for the APF agreed that, subject to the Stapling proceeding on the terms described in the Stapling Proposal, APF will redeem 100% of its entitlement to Stapled Securities as at the Stapling Record Date for cash consideration of equivalent to $1.15 per SHCT unit held on the Stapling Record Date.

If the Stapling is implemented in accordance with the terms, conditions and obligations contained in the Stapling Proposal:

- SHCT will provide an entitlement to 206,342,963 new units to ARF unit holders;
- ARF will provide an entitlement to 27,019,634 new units to SHCT unit holders;
- SHCT units will be stapled to ARF units and be jointly quoted on the ASX under the code ARF ("Stapled Security");
- There will be entitlements to 233,362,597 Stapled Securities before any redemptions by existing SHCT unit holders;
- APF will redeem its entitlement to 12,672,684 Stapled Securities at $1.15 per Stapled Security;
- SHCT Unit Holders, other than APF, will have their 53.10% holding of units in SHCT diluted by the issue of new SHCT units to ARF Unit Holders. Non-associated SHCT Unit Holders will control 6.5% of the Stapled Securities and will be able to redeem all or a portion of their entitlement to Stapled Securities for $1.15 per Stapled Security;
- ARF Unit Holders will have their 100% holding of the units in ARF diluted by the issue of New Units to SHCT Unit Holders. ARF Unit Holders will control 93.50% of the Stapled Securities;
- The final number of Stapled Securities on issue will be up to 220,689,913, assuming no other SHCT Unit Holder elects to redeem their entitlement to Stapled Securities; and
- SHCT and ARF will operate as a combined group and holders of Stapled Securities will be exposed to the combined property portfolio of childcare centres and medical centres.

The Stapling will be achieved through a stepped process which is described in Section 6.1 of the SHCT Explanatory Memorandum and Section 7.1 of the ARF Explanatory Memorandum. Neither SHCT Unit Holders nor ARF Unit Holders will be required to contribute new capital to receive Stapled Securities.

1.3 The Redemption Offer

The Redemption Offer provides existing SHCT Unit Holders with a liquidity event at a fixed price of $1.15 per entitlement to a Stapled Security. The Redemption Offer is only available as part of the Proposed Transactions and can only be elected by SHCT Unit Holders by delivering an election form on or before Wednesday 4 December 2013. The redemption price is equivalent to a 12.7% premium on our valuation of a SHCT unit.

SHCT Unit Holders who do not elect to redeem their entitlement to Stapled Securities will be exposed to the performance of the Stapled Group and will be able to sell their Stapled Securities on the ASX at any time from Wednesday 11 December 2013 when the Stapled Securities begin trading on the ASX on a deferred settlement basis.

The Redemption Offer is not open for participation by existing ARF Unit Holders. However, ARF units are listed on the ASX and are therefore able to be traded up to Tuesday 10 December 2013. ARF Unit Holders will be able to sell their Stapled Securities on the ASX at any time after Wednesday 11 December 2013 when the Stapled Securities begin trading on the ASX on a deferred settlement basis.

1.4 Directors' Recommendation

The Directors of Arena have unanimously recommended that ARF Unit Holders vote in favour of the Proposed Transactions.

The Directors of Arena have unanimously recommended that SHCT Unit Holders vote in favour of the Proposed Transactions in the absence of a superior proposal.

1.5 Voting Intentions

The Directors of Arena intend to vote any open proxies they hold in ARF and SHCT in favour of the Proposed Transactions in the absence of a superior proposal.

Directors of Arena will not be entitled to vote any units they control in ARF and SHCT at the meetings of Unit Holders in accordance with the voting exclusion contained in S.253E, Corporations Law.

APF holds 46.9% of the units in SHCT and has committed to redeem 100% of its Stapled Securities in accordance with the conditions in the Stapling Proposal. APF will not be entitled to vote on the resolutions to approve the implementation of the Proposed Transactions at the meeting of SHCT Unit Holders due to Arena's conflict of interest in its capacity as the Responsible Entity of APF, ARF and SHCT.

2. Scope of Our Report

2.1 Purpose

This Report has been prepared by Moore Stephens for inclusion in the Notices of General Meeting and Explanatory Memorandums of both ARF and SHCT to assist ARF Unit Holders and SHCT Non-associated Unit Holders to decide whether or not to approve the Proposed Transactions. The sole purpose of this Report is to express our opinion as to whether the Proposed Transactions are fair and reasonable and in the best interests of ARF Unit Holders and SHCT Non-associated Unit Holders.

2.2 Scope

The Stapling is not a merger, takeover bid, scheme of arrangement or other type of control transaction that would require the preparation of an Independent Expert's Report in accordance with the Corporations Act 2001 (the "Act"). Although the Stapling will result in SHCT issuing new units to ARF Unit Holders such that SCHT Non-associated Unit Holders' ownership interest in SHCT will be diluted from 100% to a maximum of 6.5%, we have assessed the Proposed Transactions as a merger rather than a takeover as no single unit holder will hold a controlling interest in the Stapled Group. Arena will be the Responsible Entity of the Stapled Group, therefore the operational and strategic management of SHCT and ARF will not change. There will, therefore, be no passing of control to a third party as a result of the Proposed Transactions.

As the Proposed Transactions are essentially a merger, our assessment will be whether the Proposed Transactions are in the best interests of SHCT Non-associated Unit Holders and ARF Unit Holders.

The Proposed Transactions are not related party transactions under Chapter 2E (as modified by Part 5C.7) of the Act. However, Arena's position as responsible entity of ARF, SHCT and APF may give rise to potential conflicts of interest. Regulatory Guide 111 "*Content of expert reports*" ("RG 111") sets out ASIC's policy on transactions with related parties and states 'ASIC expects an expert...to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members.'

For these reasons the Arena independent directors have elected to engage Moore Stephens to prepare an Independent Expert's Report stating whether in its opinion:

- the Proposed Transactions are in the best interests of and fair and reasonable to SHCT Non-associated Unit Holders; and
- the Proposed Transactions are in the best interests of and fair and reasonable to ARF Unit Holders.

2.3 Basis of assessment

In preparing our Report we have had regard to the Regulatory Guides issued by ASIC, in particular the guidelines set out in RG 111. The Proposed Transactions will be in the best interests of unit holders if they are better off after the Proposed Transactions. RG 111 contemplates that a transaction would be 'in the best interest' of security holders if an expert found that the transaction was 'fair and reasonable' if it had been assessed as a takeover.

The Act does not define the term 'fair and reasonable'; however, RG 111 provides that each of these criteria be assessed individually and not as a compound phrase. In this regard, RG 111 provides that:

- an offer is fair if the value of the consideration being offered is equal to or greater than the value of the securities that are the subject of the offer. This comparison is required to be made assuming an acquisition of 100% of the entity and irrespective of whether the consideration is scrip or cash;
- an offer is reasonable if it is fair;
- an offer may be reasonable if, despite being not fair, the expert believes there are other reasons for unit holders to accept the offer in the absence of any higher offer before it closes. The following have been identified by ASIC as factors that an expert might consider when deciding whether an offer is reasonable:
  - the bidder's pre-existing voting power in securities in the target;
  - other significant security holding blocks in the target;

- the liquidity of the market in the target's securities; taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

- a related party transaction is fair if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired;
- a related party transaction is reasonable if it is fair; and
- a related party transaction might be reasonable, despite not being fair, if the expert believes there are sufficient reasons for members to vote for the proposal. When deciding whether a proposed transaction is reasonable the following are factors an expert might consider:
  - the financial situation and solvency of the entity if the consideration for the financial benefit is cash;
  - opportunity costs;
  - the alternative options available to the entity and the likelihood of those options occurring;
  - the entity's bargaining position;
  - whether there is selective treatment of any security holder, particularly the related party;
  - any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target; and
  - the liquidity of the market in the entity's securities.

The main purpose of the Report is to deal with the concerns that could reasonably be anticipated of those unit holders affected by the Proposed Transactions. To this end we have focused on the purpose and outcome of the Proposed Transactions and the issues relevant to ARF Unit Holders and SHCT Unit Holders.

Moore Stephens has evaluated whether the Proposed Transactions are in the best interests of SHCT Non-associated Unit Holders and ARF Unit Holders by assessing whether SHCT Unit Holders and ARF Unit Holders are likely to be better off if the Proposed Transactions are implemented. The factors we considered in assessing whether the Proposed Transactions are in the best interests of unit holders are summarised in Table 1 and Table 2 below.

Table 1 - Moore Stephens' evaluation of the Proposed Transactions for SHCT Unit Holders

Evaluation of the Proposed Transactions for SHCT Unit Holders
- Is the proportion of the Stapled Group to be held by SHCT Unit Holders consistent with or greater than their proportionate contribution of value to the Stapled Group? - What will be the financial impact on SHCT Unit Holders of the Stapling? - Is the consideration under the Redemption Offer fair? - Are ARF units considered liquid? - Realistic alternative options available to SHCT as it approaches the end of its term. - What are the implications for SHCT and SHCT Non-associated Unit Holders if the Proposed Transactions do not proceed? - What other advantages and disadvantages are there if SHCT Non-associated Unit Holders approve the Proposed Transactions?

Table 2 - Moore Stephens' evaluation of the Proposed Transactions for ARF Unit Holders

Evaluation of the Proposed Transactions for ARF Unit Holders
• Is the proportion of the Stapled Group to be held by ARF Unit Holders consistent with or greater than their proportionate contribution of value to the Stapled Group? • What will be the financial impact on ARF Unit Holders of the Stapling? • What is the impact of the Redemption Offer on ARF Unit Holders? • The opportunity cost of the Proposed Stapling versus acquiring the SHCT property portfolio directly. • What are the implications for ARF and ARF Unit Holders if the Proposed Transactions do not proceed? • What other advantages and disadvantages are there if unit holders approve the Proposed Transactions?

The value contributed by ARF and SHCT to the Stapled Group has been based on the estimated value of each entity immediately prior to the Stapling.

The Redemption Offer has been assessed by analysing the trading history of an ARF unit on the ASX and the potential impact of the Stapling on the price of a Stapled Security.

2.4 General Financial Product Advice

This Report contains only general financial product advice as it was prepared without taking into account the effect of the Proposed Transactions on the particular circumstances of individual ARF Unit Holders and SHCT Unit Holders and we have not taken into account the personal objectives, financial situation or needs of individual unit holders.

You should consider the appropriateness of this general financial advice having regard to your own objectives, financial situation and needs before you act on this advice. Individual unit holders should seek their own financial advice.

Appendix 1 contains our Financial Services Guide.

2.5 Future Cash Flows and Events

Included in this Report is information on future cash flows and events. This information does not purport to be forecast financial information but scenarios and assumptions developed and adopted for the purpose of determining a valuation range.

2.6 Limitations and reliance on information

It is not intended that this Report should be used or relied on for any purpose other than to assist ARF Unit Holders and SHCT Unit Holders to decide whether or not to approve the Proposed Transactions. Moore Stephens expressly disclaims any liability to any ARF Unit Holder or SHCT Unit Holder who relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose whatsoever.

No extract, quote or copy of this Report, in whole or in part, should be reproduced without the prior written consent of Moore Stephens, as to the form and context in which it appears.

Statements and opinions contained in this Report are given in good faith. Our Report is based on financial and other information provided by Arena and public and non-public information. A listing of this information is included in Appendix 4 of this Report. In forming our opinions we have reviewed and relied on this information and believe that the information provided is reliable, accurate, complete and not misleading. Although this information has been evaluated through analysis, enquiry and review to the extent we regard as appropriate for the purposes of this Report, inherently such information is not always capable of independent verification. We have no reason to believe that material facts or information have been withheld by Arena. Our enquires and procedures do not constitute an audit, extensive examination or "due diligence" investigation. None of these assignments have been undertaken by Moore Stephens.

In forming the opinions expressed in this Report, the opinions and judgements of management of Arena have been considered. Although this information has been evaluated through analysis, enquiry and review to the extent practical, inherently such information is not always capable of independent verification.

Our opinion is based on market, economic and other factors existing at the date of this Report. Such conditions can change significantly in short periods of time. We in no way guarantee, explicitly or otherwise, whether future profits will be achieved. Budgets, forecasts and projections are inherently uncertain. They include assumptions regarding future events which are beyond the control of Arena. Actual results may vary significantly from forecasts and budgets which will impact the valuation of units.

Capitalised terms used in this Report that are not defined in the Glossary in Appendix 5 have the same meaning as defined in the Explanatory Memorandum. Amounts in this Report are in Australian Dollars unless otherwise stated.

Draft copies of this Report were provided to the Directors, management and advisers of Arena for them to review the factual accuracy of the Report. The opinions in the Report were not subject to review by those parties and remain the responsibility of Moore Stephens. Changes made to this Report as a result of the reviews for factual accuracy have not changed the conclusions reached by us.

3. Valuation Methodologies

3.1 Definition of Value

Moore Stephens has assessed the value of an ARF unit and an SHCT unit using the concept of fair value. Fair value is commonly defined as: the price that would be negotiated in an open and unrestrained market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length.

This definition implies that the circumstances of the valuation are hypothetical, without regard to the identity of either the buyer or the seller. Accordingly, the specific circumstances of a particular party are not taken into account (e.g. special value) to the extent that such circumstances do not apply to other parties. This is because, hypothetically, a purchaser that can extract unique special value is unlikely to fully include the special value in an offer price where such value is not available to other parties.

3.2 Overview of Valuation Methods

RG 111 sets out the valuation methods appropriate for an independent expert to consider when, amongst other things, valuing shares or assets for the purpose of a takeover. These include:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity (capitalisation of future maintainable earnings method), added to the estimated realisable value of any surplus assets;
- the amount that would be available for distribution to security holders on an orderly realisation of assets;
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale; and
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

ASIC does not suggest that these lists are exhaustive or that an independent expert should use a particular valuation method. Rather, each of the above valuation methods has application in different circumstances. These circumstances include the nature, profitability and financial position of the business being valued and the quality of information available. The decision as to which method to use lies with the expert based on the expert's skill and judgement.

It is normal practice to utilise a combination of the methods in performing a valuation to provide an effective cross-check of the results derived from the utilisation of the primary valuation approach.

A detailed overview of potential equity valuation methodologies is provided in Appendix 3.

3.3 Selection of Methods

3.3.1 ARF unit

We have valued an ARF unit using net tangible assets ("NTA") as at 30 September 2013 as our primary valuation methodology.

The net asset valuation methodology takes into account the net assets of ARF as recorded in the financial accounts and makes adjustments for:

- differences between the carrying value of investment properties and their fair value;
- fees payable to third parties, such as performance fees payable to the fund manager, as a result of a changes in control or sale of assets that have not been accrued; and
- recoupment of deferred management fees that have not been accrued.

In determining the most appropriate methodology to value an ARF unit we undertook a liquidity analysis of ARF's units from 13 June 2013 to 22 October 2013. This analysis takes into account the volume and turnover of ARF units, as well as the cycles in ARF's liquidity related to market announcements. We have not used ARF's unit price or VWAP as our primary valuation methodology as ARF only listed on the ASX for 94 trading days at the date of our valuation and our liquidity analysis showed that the market price may not be a true reflection of the fair value of an ARF unit due to the level of trade in the securities other than after the initial listing period and during the period from the announcement of inclusion in the S&P/ASX 300 index and debuting on the index. The liquidity analysis is contained in Section 9.4.2 of this Report.

Furthermore, comparable A-REITS with all or a significant proportion of their investments in social infrastructure assets, display relatively low levels of liquidity on analysis.

We have used the VWAP analysis of ARF's unit price over a variety of assessment periods to estimate an upper band in ARF's fair value and to provide a valuation range.

3.3.2 SHCT Unit

As SHCT is an unlisted fixed term trust there is no active liquid market in its units. Therefore, we have assessed the fair market value of an SCHT unit using the NTA as at 30 September 2013.

The net asset valuation methodology takes into account the net assets of SHCT as recorded in the financial accounts and makes adjustments for:

- differences between the carrying value of investment properties and their fair value;
- fees payable to third parties, such as performance fees payable to the fund manager, as a result of a changes in control or sale of assets that have not been accrued; and
- recoupment of deferred management fees that have not been accrued.

As the valuation has been performed on a going concern basis we have not adjusted the net assets for the deferred finance cost asset, the costs of selling the properties and the cost of winding SHCT up.

4. Overview of Arena REIT

4.1 Trust Overview

ARF is a social infrastructure property trust which is invested in childcare currently and has expanded its investment mandate into healthcare, aged care and other high quality income sources. The fund was established in 2003 as The Childcare Property Fund. The name was changed to the Orchard Childcare Property Fund in February 2008, then to the Arena Childcare Property Fund in February 2012 and finally to Arena REIT upon listing on 13 June 2013.

The initial Responsible Entity of the fund was SAITeysMcMahon Investments Ltd, which was renamed Orchard Capital Investments Ltd in July 2007 before being acquired by Morgan Stanley Real Estate Investing in December 2011 and renamed Arena Investment Management Limited.

Table 3 - ARF overview

Established	27-November-2003
End date	27-November-2083
Status	Listed on the ASX
Asset class	Childcare, healthcare and other social infrastructure
Number of properties	177
Number of tenants	30
Valuation at 30 June 2013	$234.9 million
Occupancy rate	97%
WALE	8.3 years
NTA at 30 June 2013	$1.02 per unit
Gearing	10.6%

ARF owns 177 properties which are tenanted by 5 main operators with a few smaller operators. The fund's properties are spread across all Australian states and territories except for the ACT and were valued at $234.9 million as at 30 June 2013.

4.2 Financial Performance

The following table sets out the summarised historical financial performance of ARF.

Table 4 - historical income statements of ARF

	30-Jun-10 $'000	30-Jun-11 $'000	30-Jun-12 $'000	30-Jun-13 $'000	30-Sep-13 $'000
Property rental	23,982	24,248	22,497	21,793	5,314
Interest income	67	106	179	108	12
Fair value gains on financial assets at fair value through profit or loss	1,783	1,646	1,382	1,413	-
Gain on derivative financial instruments	1,247	1,421	-	-	57
Other income	652	309	628	314	-
Gain on foreign exchange	-	108	-	-	4
Reduction of provision for impairment of other receivables	-	49	-	-	-
Net changes in fair value of investment properties	-	4,702	8,687	5,162	-
Profit on sale of direct properties	-	106	808	10	-
Recovery costs associated with assignment of leases	1,185	-	14	-	-
Other operating income	-	-	-	300	-
Total revenue and other income	**28,915**	**32,696**	**34,193**	**29,100**	**5,387**
Direct property expenses	3,362	770	1,115	879	225
Management fees	2,395	2,329	2,399	2,372	486
Deferred management and disposal fees	123	456	(48)	-	-
Custodian fees	116	120	119	118	30
Consulting and legal fees	1,306	295	452	489	51
Other administration expenses	448	232	360	420	296
Net changes in fair value of investment properties	6,860	-	-	-	4
Loss on sale of direct properties	372	-	-	-	35
Net foreign exchange loss	-	-	213	(12)	-
Net loss on change in fair value of derivative financial instruments	-	-	4,245	141	-
Finance costs	10,825	10,501	9,657	7,469	422
Total expenses	**25,807**	**14,703**	**18,512**	**11,876**	**1,550**
Net profit attributable to unitholders	**3,109**	**17,993**	**15,681**	**17,224**	**3,837**
Distribution per unit (¢)	**3.25**	**5.50**	**6.50**	**8.00**	**2.05**

Source: ARF's financial reports for the years ended 30 June 2011, 2012 and 2013 and management accounts as at 30 September 2013
Note: May not add due to rounding

We note the following with regards to ARF's historic income statements:

- property rental revenues declined slightly from FY2010 to FY2013 (9.1%) due to the sale of the NZ portfolio in April 2012 and look set to stay relatively steady in FY2014 at an annualised $21 million;
- property values have increased in FY2011, FY2012 and FY2013 by a combined $18 million; although in 2010 there was a decline of $7 million;
- direct property expenses have been volatile over historic periods, but there has been an overall downward trend with a reduction of 73.9% from FY2010 to FY2013;
- finance costs have fallen substantially as the fund's debt has been repaid. A significant debt repayment in FY2013 saw finance costs fall from a high of $11 million in FY2010 to $7 million in FY2013; and

- ARF's net profit has increased substantially from FY2010, which has resulted in an increase in DPU. The FY2010 net profit is abnormally low due to a significant devaluation in the fund's investment properties. The FY2011 increased by 479% from this abnormal result, and the DPU increased over the same period by 69%. Since FY2011 net profit has remained relatively steady. DPU has increased over this period, rising 145% from FY2011 to FY2013 from 5.50¢ to 8.00¢.

4.3 Financial Position

The following table sets out the summarised historical financial position of ARF.

Table 5 - historical balance sheets of ARF

	30-Jun-10 $'000	30-Jun-11 $'000	30-Jun-12 $'000	30-Jun-13 $'000	30-Sep-13 $'000
Cash and cash equivalents	3,884	4,895	5,561	4,995	4,140
Trade and other receivables	2,212	2,004	1,938	1,346	1,903
Non-current assets classified as held for sale	1,527	-	-	1,150	-
Total current assets	**7,623**	**6,899**	**7,499**	**7,491**	**6,043**
Investment properties	222,924	229,046	226,292	233,784	236,886
Financial assets held at fair value through profit or loss	3,378	5,024	6,406	-	-
Total non-current assets	**226,371**	**234,070**	**232,698**	**233,784**	**236,886**
Total assets	**233,995**	**240,969**	**240,197**	**241,275**	**242,929**
Trade and other payables	6,308	4,932	6,281	6,640	7,689
Provisions	-	1,185	-	-	-
Interest-bearing liabilities	-	108,327	-	-	-
Derivative financial instruments	360	597	-	-	-
Total current liabilities	**6,668**	**115,042**	**6,281**	**6,640**	**7,689**
Interest-bearing liabilities	109,067	-	99,121	24,500	25,573
Provisions	1,051	322	-	-	-
Derivative financial instruments	2,132	474	2,016	70	14
Total non-current liabilities	**112,250**	**796**	**101,138**	**24,570**	**25,587**
Total liabilities	**118,917**	**115,838**	**107,418**	**31,210**	**33,276**
Net assets	**115,077**	**125,131**	**132,778**	**210,065**	**209,654**
Contributed equity	134,325	134,325	134,325	205,252	205,233
Foreign currency reserves/(deficit)	123	(551)	-	-	-
Accumulated profit/(loss)	(19,370)	(8,642)	(1,547)	4,813	4,420
Total equity	**115,077**	**125,131**	**132,778**	**210,065**	**209,654**
Net tangible assets	115,077	125,131	132,778	210,065	209,654
Number of units	132,086	132,086	132,086	206,343	206,343
NTA per unit	**0.87**	**0.95**	**1.01**	**1.02**	**1.02**

Source: ARF's financial reports for the years ended 30 June 2011, 2012 and 2013 and management accounts as at 30 September 2013
Note: May not add due to rounding

We note the following with regards to ARF's historic balance sheets:

- the vast majority of ARF's asset base is its investment property portfolio. Since FY2010 the portfolio has increased in value by 8.6% to $233 million at 30 June 2013. The increase in value from 30 June 2013 to 30 September 2013 is due to the acquisition of a childcare centre and work in progress on developments;
- In FY2011 $108 million of debt became current as the facility had a maturity date of 30 June 2012. This facility was refinanced by Arena on 25 June 2012 to a new facility with a limit of $110 million. Since then, ARF has focused on debt repayment and a lowering of the fund's gearing. Debt balances declined by 75% in FY2013 as the fund undertook a capital raising of $75 million through an IPO, of which $71 million was used to repay debt; and
- NTA per unit has increased significantly over the historic period. In FY2010, ARF's NTA per unit was $0.87. The increase in property values since, combined with a reduction in debt, has seen NTA per unit increase 16.6% to $1.02.

4.4 Properties

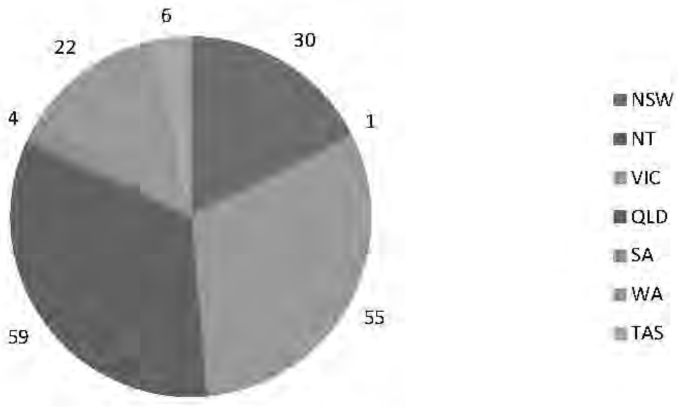
ARF's 177 properties cover a variety of locations, values and tenants. A summary of these properties is shown below.

Table 6 - ARF property summary

No. of properties	177
Valuation	$234.9 million
Net income	$21.2 million p.a.
Yield	9.01% p.a.
Occupancy (by valuation)	96.5%
WALE (by income)	8.3 years

The majority of ARF's childcare centres are located on the Australian east coast, with Victoria and Queensland the two most prominent states.

Figure 1 - number of ARF properties per state



The value of the majority of these properties fall between $1 million and $1.5 million, with a small proportion valued at over $2 million. The most valuable is worth $2.7 million while the least valuable is worth $200,000.

Figure 2 – value of ARF properties

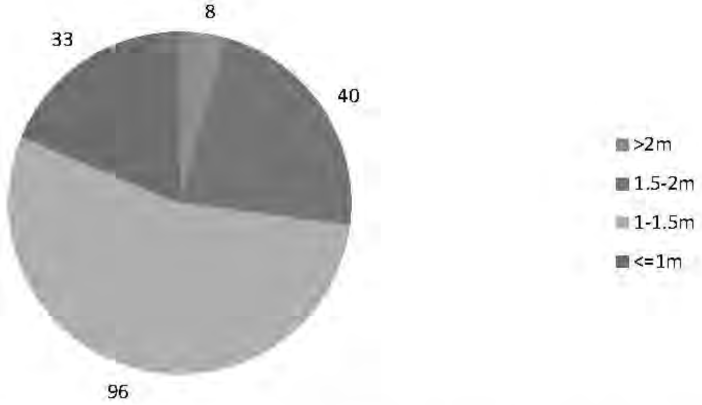
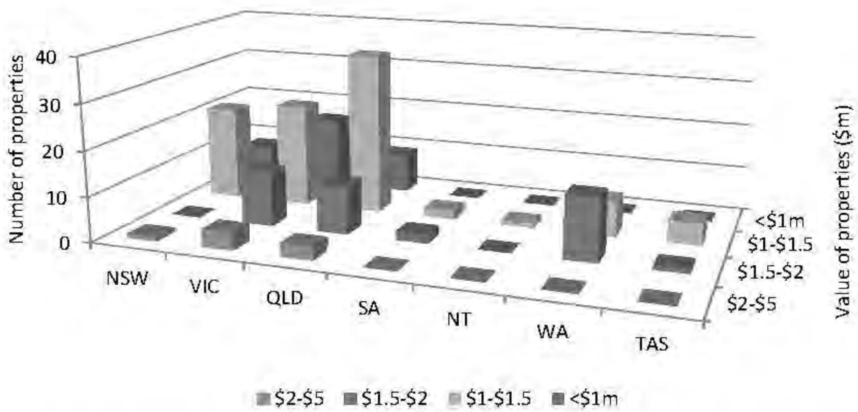


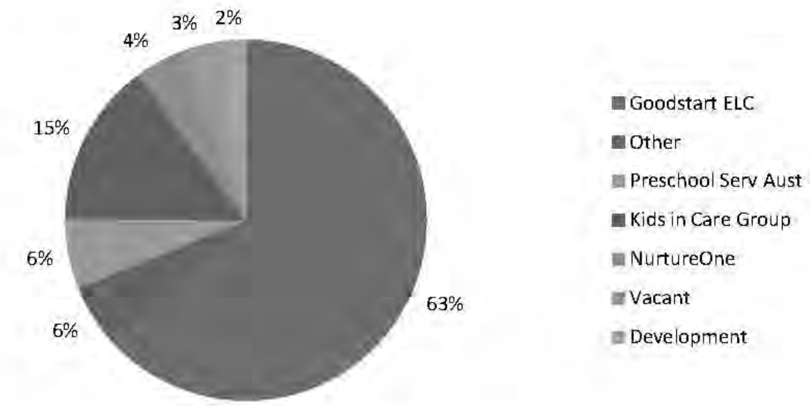
Figure 3 below shows the value of the ARF properties per state. The most $1 million to $1.5 million properties are located in Queensland, whereas the most properties at over $2 million and less than $1 million are located in Victoria. A significant proportion of ARF's Western Australian properties are valued at between $1.5 million and $2 million.

Figure 3 – value of ARF per state



ARF's properties are leased by 4 main tenants. Goodstart Early Learning Ltd ("Goodstart") lease over half of the sites and have a close working relationship with ARF. Goodstart is the largest entity operating within the Australian childcare industry. It is a not-for-profit enterprise that acquired a large proportion of the childcare businesses from the bankrupt ABC Learning Ltd. There are also 3% of sites that are currently vacant and 2% that are under development and therefore have no current tenants.

Figure 4 - proportion of ARF sites leased by each tenant

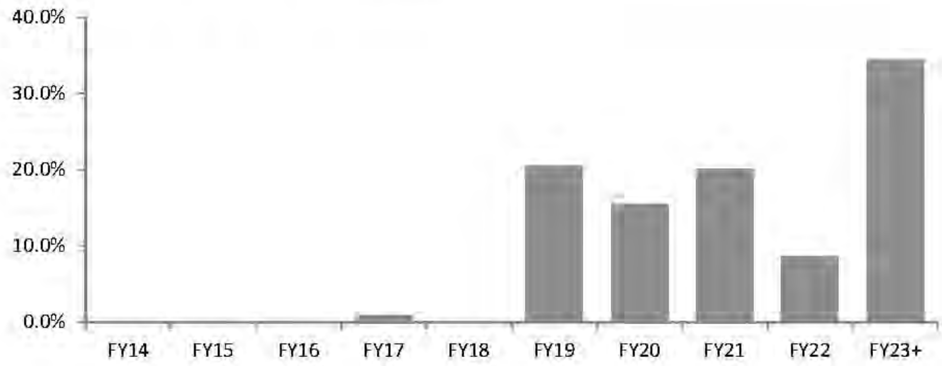


The total revenue per tenant is closely aligned with the number of properties leased to each tenant, as is expected. Figure 5 illustrates the split of revenue per tenant and shows how reliant ARF is on Goodstart for its revenues.

Figure 5 - ARF's total rental income per tenant

ARF's WALE is 8.3 years which reflects the relatively long nature of the lease agreements with the trust's tenants. The table below illustrates the expiry of ARF's leases expressed as a proportion of ARF's total income.

Figure 6 - expiration date of ARF leases by proportion of income



4.5 Capital Structure

On 7 October 2013 there were 206,342,963 ARF units on issue held by 2,846 Unit Holders. The holding of ARF units is concentrated amongst the top few Unit Holders, with the top 10 Unit Holders owning almost half of the trust's units and the top 500 Unit Holders together owning 74.66% of the trust.

Table 7 - ARF capital structure

	Number of units	Proportion of units
Top 10	98,291,059	47.63%
Top 100	123,216,059	59.71%
Top 500	154,047,549	74.66%
Top 1,000	175,213,382	84.91%
Top 2,000	198,171,423	96.04%
Top 2,500	204,115,592	98.92%

4.6 Responsible Entity

Arena is the Responsible Entity of ARF.

The Board of Directors as at the date of this Report is set out below.

Table 8 - ARF Board of Directors

Directors	Position
David Ross	Independent Non-Executive Chairman
Simon Parsons	Independent Non-Executive Director
Dennis Wildenburg	Independent Non-Executive Director Chairman of Board Audit Committee
James Goodwin	Executive Director
Bryce Mitchelson	Executive Director

5. Overview of Sydney Healthcare Trust

5.1 Trust Overview

The SHCT was established in 2002 with a focus on acquiring medical centres leased to PRY. The fund was started with a portfolio of 7 properties. Of these 7 properties, 4 are still owned by SHCT (Leichardt, Mt Druitt, Wentworthville and Dapto) and 2 others have been acquired (Bondi and Campbelltown).

Table 9 - SHCT overview

Established	08-July-2002
End date	27-August-2014
Wind up period	28 August 2012 to 27 August 2014
Status	Unlisted
Asset class	Medical
Number of properties	6
Number of tenants	1
Valuation at 30 June 2013	$54.7 million
Occupancy rate	100%
WALE	9.0 years
NTA at 30 June 2013	$1.02 per unit
Gearing	42.5%

SHCT was operated initially by Specific Property Services Ltd, which was part of the SAI + Teys McMahon Group, which also operated ARF. SAI + Teys McMahon Group was renamed Orchard Capital Investments Ltd in July 2007 before being acquired by Morgan Stanley Real Estate Investing in December 2011 and renamed Arena Investment Management Limited.

Under clause 15 of its Constitution, SHCT must be wound up and the property portfolio sold between the 10^{th} and 12^{th} anniversary of the fund's establishment, subject to extensions related to unfavourable circumstances or shareholder requests. The fund must therefore be wound up between 28 August 2012 and 27 August 2014. Following the completion of the windup, unit holders would receive their pro rata distribution from the portfolio's sale following debt repayment, payment of outstanding outgoings, payment of the fees associated with the sale of properties and any outstanding Responsible Entity fees.

5.2 Financial Performance

The following table sets out the summarised historical financial performance of SHCT.

Table 10 - historical income statements of SHCT

	30-Jun-10 $'000	30-Jun-11 $'000	30-Jun-12 $'000	30-Jun-13 $'000	30-Sep-13 $'000
Property rental	5,057	5,346	4,973	5,080	1,303
Interest income	23	29	37	19	5
Fair value adjustment to investment property	2,715	(485)	2,739	647	-
Fair value adjustment to derivative financial instruments	962	293	209	103	-
Total revenue	**8,758**	**5,183**	**7,958**	**5,849**	**1,308**
Direct property expenses	189	142	565	438	115
Management fees	1,003	525	538	553	139
Exit fees/deferred management fees	330	511	383	637	-
Custodian fees	25	30	27	28	7
Other administration expenses	61	155	127	182	36
Loss on settlement of derivative financial instruments	534	-	-	-	-
Loss on sale of investment properties	175	-	-	-	-
Loss on revaluation of derivative financial instruments	-	-	-	-	2
Finance costs	2,478	2,117	2,122	1,499	323
Total expenses	**4,795**	**3,479**	**3,763**	**3,337**	**622**
Net profit attributable to unitholders	**3,963**	**1,704**	**4,195**	**2,511**	**685**
Distribution per unit (¢)	**9.81**	**6.60**	**6.85**	**9.10**	**2.35**

Source: SHCT's financial reports for the years ended 30 June 2011, 2012 and 2013 and management accounts as at 30 September 2013
Note: May not add due to rounding

We note the following with regards to SHCT's historic income statements:

- over the historic period SHCT's underlying cash rental income has remained very consistent due to the triple net leases in place with the tenant. The volatility in reported rental income is due to the straight lining of rent in accordance with the requirements of AIFRS;
- over all historic financial years there have been increases in the value of SHCT's investment properties, reflecting increasing demand for medical services and the quality of SHCT's rental income streams. There is volatility in the increases in property values, as in FY2010 and FY2012 there are increases of $2.7 million (approximately 5% of total property value), whereas the increases in FY2011 and FY2013 were substantially smaller;
- direct property expenses have increased significantly over the historic period. FY2010 and FY2011 expenses were relatively steady, before increasing 298% in FY2012 to $0.5 million. Since the sharp increase, direct property expenses have remained stable;
- management fees have almost halved since FY2010, declining from $1 million to $0.5 million in FY2011. Management fees have remained steady since FY2011; and
- DPU volatility between FY2012 and FY2013 was due to the impact of interest rate swaps on finance costs.

MOORE STEPHENS
ACCOUNTANTS & ADVISORS

5.3 Financial Position

The following table sets out the summarised historical financial position of SHCT.

Table 11 - historical balance sheets of SHCT

	30-Jun-10 $'000	30-Jun-11 $'000	30-Jun-12 $'000	30-Jun-13 $'000	30-Sep-13 $'000
Cash and cash equivalents	611	952	759	958	891
Trade and other receivables	391	393	344	271	176
Total current assets	**1,002**	**1,346**	**1,103**	**1,229**	**1,068**
Investment properties	51,200	51,350	54,050	54,650	54,650
Total non-current assets	**51,200**	**51,350**	**54,050**	**54,650**	**54,650**
Total assets	**52,202**	**52,696**	**55,153**	**55,879**	**55,718**
Trade and other payables	689	1,043	981	1,163	942
Derivative financial instruments	474	292	175	72	74
Interest bearing liabilities	-	-	23,669	-	-
Total current liabilities	**1,163**	**1,335**	**24,825**	**1,235**	**1,016**
Interest bearing liabilities	23,669	23,668	-	23,626	23,633
Provisions	1,856	2,367	2,751	3,388	3,388
Derivative financial instruments	203	93	-	-	-
Total non-current liabilities	**25,728**	**26,128**	**2,751**	**27,014**	**27,021**
Total liabilities	**26,891**	**27,463**	**27,576**	**28,249**	**28,037**
Net assets	**25,311**	**25,233**	**27,577**	**27,630**	**27,680**
Contributed equity	24,197	24,197	24,197	24,197	24,197
Retained profits	1,115	1,036	3,380	3,433	3,484
Total equity	**25,311**	**25,233**	**27,577**	**27,630**	**27,680**
Net tangible assets	25,311	25,233	27,577	27,630	27,680
Number of units	27,020	27,020	27,020	27,020	27,020
NTA per unit	**0.94**	**0.93**	**1.02**	**1.02**	**1.02**

Source: SHCT's financial reports for the years ended 30 June 2011, 2012 and 2013 and management accounts as at 30 September 2013
Note: May not add due to rounding

We note the following with regards to SHCT's historic balance sheets:

- the value of SHCT's investment properties has increased steadily, with an overall increase of $3.8 million (7.5%) since FY2010;
- in FY2012, $23.7 million of debt became current with a maturity date of 30 September 2012. This date was extended to 31 December 2012 to give the fund time to consider its future funding requirements as it entered the wind up period. This facility was later extended to 31 December 2015; and
- SHCT's NTA per unit has increased steadily from FY2010 to 30 September 2013. Over this period NTA per unit has increased by 9¢ which equates to 9.3%. This increase is substantially due to the increase in property values, as liabilities and units on issue have remained relatively constant.

5.4 Properties

SHCT owns 6 healthcare properties in New South Wales worth a combined $54.65 million. These properties are detailed below.

Table 12 - properties owned by SHCT

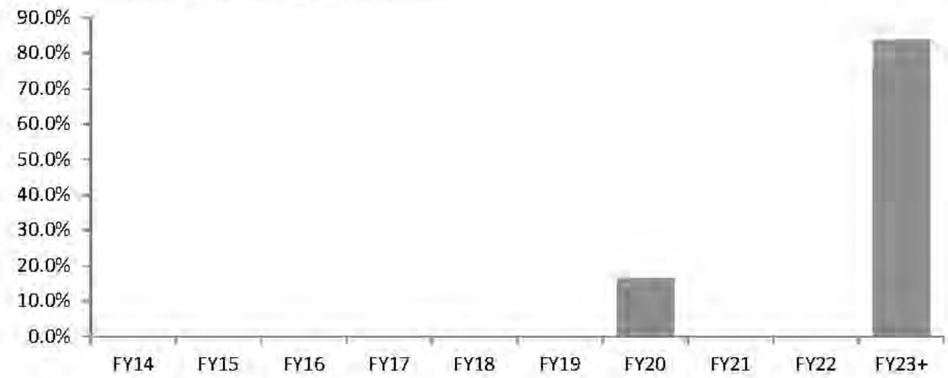
Property	Value	Annual rent	Passing Yield	Tenant	Lease expiry[1]
Bondi Junction Medical	12,000,000	938,049	7.82%	Primary Health Care	18-Dec-22
Leichhardt Medical Centre	12,250,000	1,039,919	8.49%	Primary Health Care	28-Aug-22
Campbelltown Medical Centre	7,800,000	792,157	10.16%	Primary Health Care	29-Feb-20
Dapto Medical Centre	8,200,000	745,431	9.09%	Primary Health Care	02-Jun-23
Wentworthville Medical Centre	7,700,000	696,753	9.05%	Primary Health Care	16-Dec-22
Mt Druitt Medical Centre	6,700,000	632,049	9.43 %	Primary Health Care	15-Oct-22

1. *Inclusive of all options under the landlord's control.*

The SHCT leases are long dated and provide a healthy yield. All of SHCT's properties are leased by PRY, which is a listed medical services provider. PRY runs 56 large-scale medical centres, of which 15 have been operating for longer than 10 years. Of these 15 long-term medical centres, SHCT owns 6.

SHCT's WALE is 9.0 years which reflects the relatively long nature of the lease agreements with PRY, especially the initial leases which were all 20 years plus 4 five year options. The chart below illustrates the long nature of SHCT's leases.

Figure 7 - expiration date of SHCT leases by proportion of income



5.5 Capital Structure

On 7 October 2013 there were 27,019,634 SHCT units on issue held by 147 unit holders. The holding of SHCT units is concentrated amongst the top few unit holders, with the top unit holder owning almost half of the trust's units and the top 5 unit holders together owning 77% of the trust.

Table 13 - SHCT capital structure

	Number of units	Proportion of units
Top 1	12,672,684	46.9%
Top 5	20,805,684	77.0%
Top 10	21,930,404	81.2%
Top 50	24,722,486	91.5%
Top 100	26,150,126	96.8%

5.6 Responsible Entity

Arena is the Responsible Entity of SHCT.

The Board of Directors as at the date of this Report is set out below.

Table 14 - SHCT Board of Directors

Directors	Position
David Ross	Independent Non-Executive Chairman
Simon Parsons	Independent Non-Executive Director
Dennis Wildenburg	Independent Non-Executive Director Chairman of Board Audit Committee
James Goodwin	Executive Director
Bryce Mitchelson	Executive Director

6. The Stapled Group

6.1 Summary

Details of the Stapled Group upon implementation of the Proposed Transactions are shown in the table below:

Table 15 - Stapled Group overview

Established	18 December 2013
Status	Listed on the ASX
Asset class	Medical and childcare
Number of properties	183
Number of tenants	31
Valuation at 30 June 2013	$289.6 million
Occupancy rate	97.1%
WALE	8.4 years
NTA at 30 June 2013	$1.00 per unit
Gearing	26.4%

6.2 Pro Forma Balance Sheet of the Stapled Group

Table 16 below shows the pro forma balance sheet of the Stapled Group following implementation of the Proposed Transactions.

Table 16 – pro forma balance sheet post-stapling

	ARF Pro Forma 30 June 2013 $'000	SHCT 30 June 2013 $'000	SHCT deferred fees $'000	Redemption offer $'000	Transaction costs $'000	Fee $'000	Pro Forma 30 June 2013 $'000
Cash	4,395	958					5,353
Trade and other receivables	1,846	367					2,213
Investment properties	236,534	54,650				547	291,731
Total Assets	**242,775**	**55,974**	-	-	-	**547**	**299,296**
Trade and other payables	3,371	447					3,818
Deferred management Fees	-	3,388	(3,388)				-
Distribution payable	3,269	716					3,985
Borrowings (non-current)	26,000	23,721	3,388	22,823	1,200	547	77,679
Interest rate swaps	70	72					142
Total Liabilities	**32,710**	**28,345**	-	**22,823**	**1,200**	**547**	**85,624**
Net Assets	**210,065**	**27,630**	-	**(22,823)**	**(1,200)**	-	**213,672**
Unitholders' Equity	**210,065**	**27,630**	-	**(22,823)**	**(1,200)**	-	**213,672**
Number of Units on Issue	206,343	27,020		(19,846)			213,516
NTA per unit (¢)	1.02	1.02					1.00
Gearing Ratio	10.7%	42.4%					25.8%

Note: 30 June 2013 pro forma adjustments to ARF are detailed in Section 7 of the PDS. May not add due to rounding.

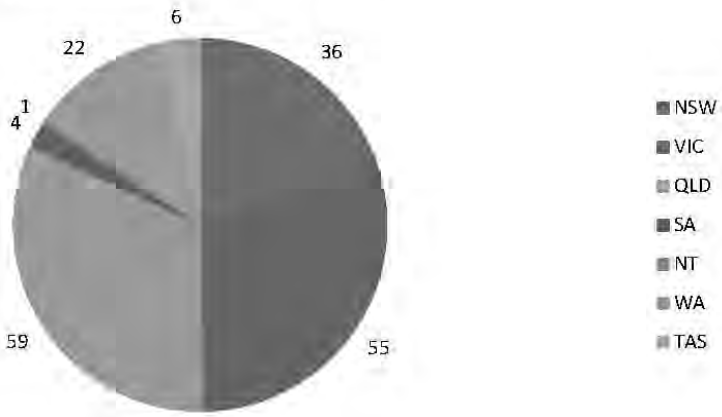
The pro forma transactions required to reflect the balance sheet of the Stapled Group after implementation of the Proposed Transactions are described as follows:

- at 30 June 2013 SHCT's deferred management and performance fees were $3.4 million. The deferred management fee will be paid in full;
- the Stapling Proposal includes a Redemption Offer for existing SHCT Unit Holders at $1.15 per entitlement to a Stapled Security. APF have committed to redeem 100% of their entitlement to Stapled Securities they will hold. Arena has also assumed that 50% of other SHCT Unit Holders will elect to redeem their entitlement to Stapled Securities. For the purpose of preparing the pro forma Stapled Group balance sheet, Arena have assumed that 19.8 million Stapled Securities will be redeemed under the Redemption Offer. We have conducted sensitivity analysis on the redemption assumptions made by Arena in Section 6.5;
- the transaction costs and associated fees of implementing the Stapling Proposal have been shown as incurred in the pro forma balance sheet;
- Arena will be entitled to an asset transaction fee of $0.5 million on implementation of the Proposed Transactions; and
- all pro forma adjustments have been funded by drawing down on the Stapled Group's $140 million debt facility.

6.3 Properties of the Stapled Group

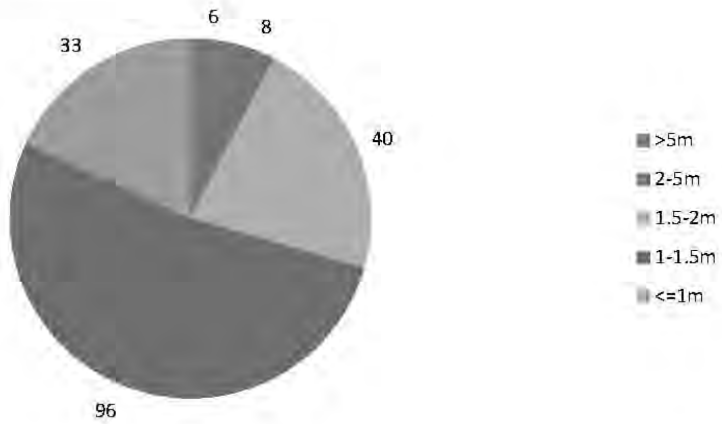
The Stapled Group will own 183 properties, of which 6 are healthcare and 177 are childcare. The resulting distribution of properties across Australia is illustrated in Figure 8 below.

Figure 8 - number of Stapled Group properties per state



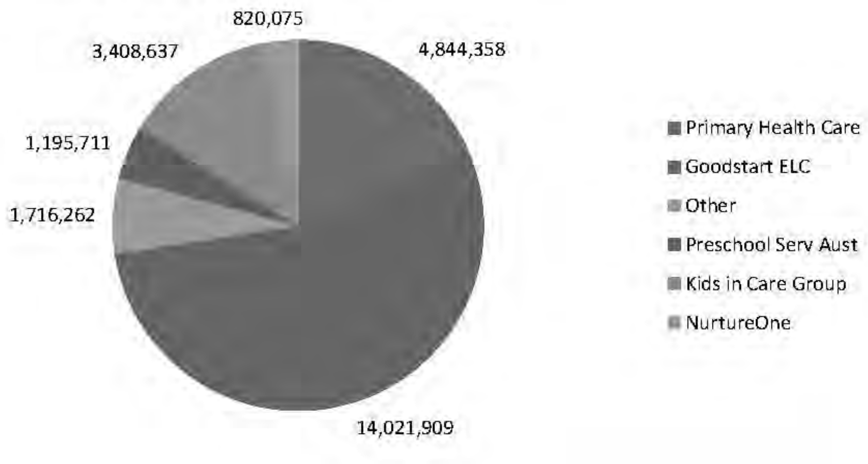
The Proposed Transactions change the distribution of property values from what unit holders of ARF and SHCT were exposed to previously as the properties owned by SHCT were all valued significantly higher than those owned by ARF. The distribution of property values is shown below.

Figure 9 - value of properties owned by Stapled Group



Properties owned by SHCT are all leased by PRY, whereas ARF's properties were largely leased by Goodstart, but with 3 other key tenants and a few smaller ones. In the stapled unit 53.9 % of the revenue is earned from leases held by Goodstart, 18.6% from PRY and 13.1% Kids in Care.

Figure 10 - rental income per tenant of Stapled Group



6.4 Forecast Performance

Arena has prepared a forecast model of the performance of the Stapled Group assuming implementation of the Proposed Transactions. This model has been reviewed by PwC. Table 17 below shows the forecast income statement of the Stapled Group and the corresponding forecast DPU.

Table 17 - forecast Stapled Group income statement

	FY 14 Forecast Pro Forma $'000	FY14 Forecast Statutory $'000
Income		
Net property income	25,711	23,351
Straight lining of rental income	348	348
Other income	-	-
	-	-
Expenses	-	-
Management fees	(2,427)	(2,204)
Deferred management/exit fees	-	-
Other operating expenses	(692)	(570)
EBIT	**22,940**	**20,925**
Net interest and borrowing costs	(3,719)	(2,746)
Net operating profit excluding fair value adjustments	**19,221**	**18,179**
Non-distributable income and expenses :		
- Straight-lining of future fixed rental increases	(348)	(348)
- Write-off of capitalised borrowing costs	-	-
Net operating profit avaialable for distribution	18,874	17,831
Weighted average number of units on issue	213,516	209,881
Underlying earnings per Unit (¢)	8.84	8.50
Distribution per Unit (¢)	**8.84**	**8.45**

Note: May not add due to rounding.

The table below shows the difference in forecast DPU and 30 June 2013 NTA of ARF if the Proposed Transactions occur compared to if ARF operates without the SHCF properties.

Table 18 - effect of Stapling on forecast ARF DPU and NTA

	FY2014 DPU ¢ per unit	FY2014 Forecast Pro Forma EPU ¢ per unit	NTA $ per unit
Stapled	8.45	8.84	1.00
ARF only	8.20	8.26	1.02
Difference	0.25	0.64	-0.02

Note: differences are due to rounding.

Table 18 shows that the Proposed Transactions increase the DPU of units owned by ARF Unit Holders in FY2014; however, NTA per unit decreases.

Table 19 below shows the difference in forecast DPU and 30 June 2013 NTA of SHCT if the Proposed Transactions occur compared to if SHCT operates without the ARF properties.

Table 19 - effect of Stapling on forecast SHCT DPU and NTA

	FY2014 DPU ¢ per unit	NTA $ per unit
Stapled	8.45	1.00
SHCT only	9.80	1.02
Difference	-1.35	-0.02

Table 19 shows that the Proposed Transactions decrease the DPU of units owned by SHCT Unit Holders in FY2014 as well as decreasing NTA per unit.

6.5 Sensitivity Analysis

Arena has adopted a base case assumption that APF and 50% of other SHCT Unit Holders will redeem their entitlement to Stapled Securities for $1.15 per Stapled Security.

We have performed sensitivity analysis in Table 20 to show the impact of other investors redeeming their units on the number of Stapled Securities of the Stapled Group and on forecast earnings, distributions and NTA.

Table 20 - redemption rate sensitivity analysis

	Proportion of non-APF investors who redeem their entitlement to Stapled Securities				
	30%	40%	Base Case	60%	70%
APF entitlements redeemed	12,672,684	12,672,684	12,672,684	12,672,684	12,672,684
Other entitlements redeemed	4,304,085	5,738,780	7,173,475	8,608,170	10,042,865
Total entitlements redeemed	**16,976,769**	**18,411,464**	**19,846,159**	**21,280,854**	**22,715,549**
Stapled units on issue	**216,385,828**	**214,951,133**	**213,516,438**	**212,081,743**	**210,647,048**
Redemption offer funding	$19,523,284	$21,173,184	$22,823,083	$24,472,982	$26,122,881
FY14 EPU (¢)	8.47	8.48	8.50	8.51	8.53
Post-Proposed Transaction NTA per unit	$1.00	$1.00	$1.00	$1.00	$1.01

As the proportion of non-APF SHCT Unit Holders redeeming their entitlement to Stapled Securities increases, the measures of performance per unit increase as the debt used to fund redemptions is cheaper than equity. There is also an insignificant increase in NTA. The variances between EPU at 30% and 70% redemption are not significant to the Proposed Transactions.

7. Childcare Industry Overview

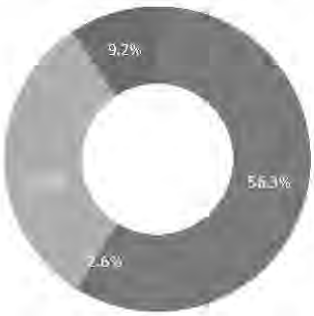
7.1 Childcare Industry

The Australian childcare industry looks after approximately one million children per annum. It plays an important role in the operation of both the Australian education system and the Australian workforce, as the children attending childcare receive an educational benefit whilst the parents are allowed to return to the workforce.

The Australian childcare industry has a low level of concentration, with one major entity within the 8,459 businesses operating currently. Goodstart is the largest entity operating within the industry, with a market share of approximately 12.4%. All other entities are relatively minor.

The industry provides services principally to children under 12 through long day care, outside school hours care, family day care and occasional care. Figure 11 below shows that over half of industry revenue is earned by long day care, which provides services for approximately 410,500 children below school age. The other major industry segment is after school care, which earns approximately 31.9% of industry revenue and caters for 207,000 children.

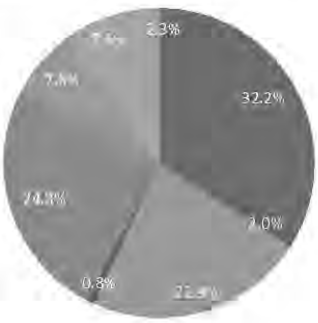
Figure 11 - products and services segmentation in the childcare industry



Source: IBISWorld

The proportion of childcare businesses across Australia is similar to the spread of population, which is to be expected as the largest demand determinant of the industry is the number of children in the area. The distribution of childcare businesses across Australia is detailed below.

Figure 12 - childcare business locations in Australia



Source: IBISWorld

7.2 Industry growth

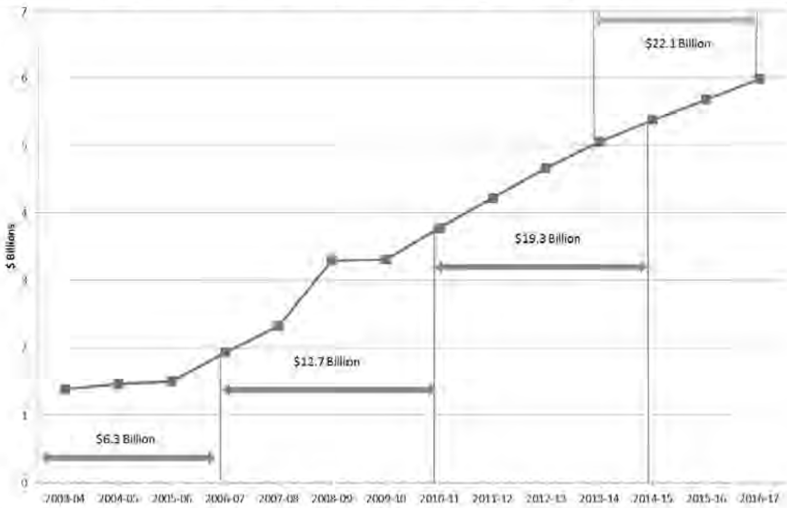
The Australian childcare industry has grown at approximately 1.9% p.a. over the previous 5 years, largely due to increased government incentives; however, the bankruptcy of ABC Learning Centres Ltd created a significant disruption in the industry.

Future growth is forecast at 3.8% p.a. by IBISWorld over the next 5 years. This growth is projected to be driven by government assistance, workforce participation, population under 14 years old and the level of disposable income.

Government assistance is largely through the Child Care Rebate and Child Care Benefit. The Child Care Rebate was introduced in 2004 and is a 50% rebate on child care costs up to a maximum of $7,500 per child per year. To be eligible for the childcare rebate the parents must be working, training or studying. There is no income test. The Child Care Benefit was introduced in 2000 and is an income tested benefit from which parents can receive a maximum $3.99 per hour for a non-school aged child in up to 50 hours of child care per week.

Figure 13 shows the historic and forecast government funding of the Child Care Rebate and the Child Care benefit.

Figure 13 - historic and forecast Child Care Rebate and Child Care Benefit government funding



Source: Department of Education, Employment and Workplace Relations

Government assistance plays a role in both enhancing youth education and increasing workforce participation, especially female workforce participation. Increased funding of childcare allows below school aged children to receive education, whilst also allowing their parents to return to the workforce as they have the means to afford childcare.

Female labour force rates have been increasing steadily over the last 10 years, outpacing the rate of growth in the male participation rate significantly. The growth in workforce participation rates, especially female participation, is a significant driver of demand for childcare services as working parents require childcare services during work hours, especially for below school age children.

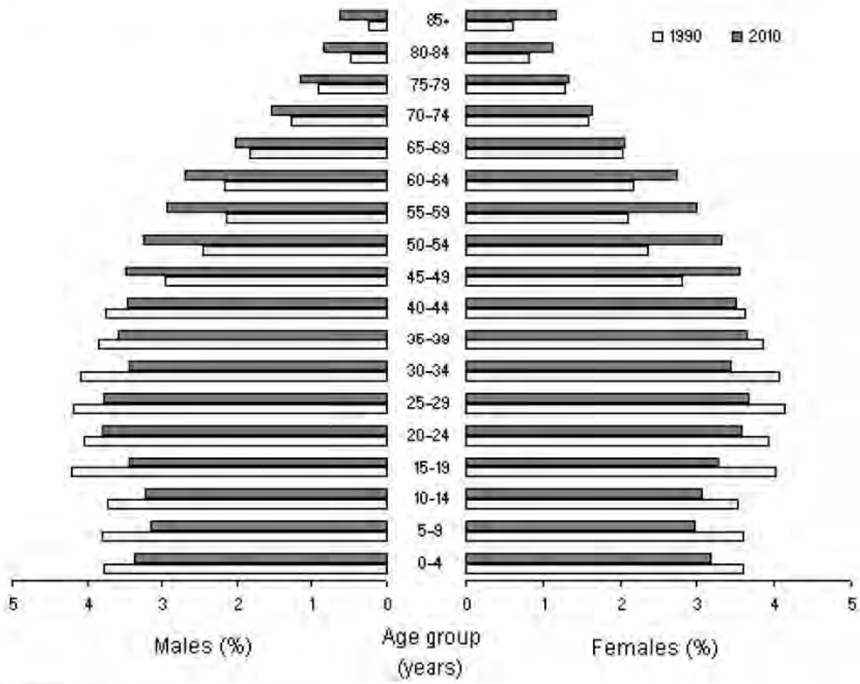
Table 21 - Australian labour force participation rates

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Male	77.9%	77.8%	78.2%	78.8%	79.2%	79.4%	79.5%	79.3%	79.7%	79.2%
Female	61.1%	60.9%	61.8%	63.0%	63.8%	64.6%	65.1%	64.8%	65.3%	65.2%

Source: Australian Bureau of Statistics

The number of children is another driver of demand for childcare. Over previous years the number of children under 14 years old has increased; however, as a proportion of the population there has been a significant decrease. Figure 14 illustrates the change in the population from 1990 to 2010. It shows the effect of Australia's ageing population, as the proportion of those under 14 has shrunk significantly, whilst those above 50 have increased significantly as a proportion of the Australian population.

Figure 14 - Australian population age distribution - 1990 vs 2010



Source: Australian Bureau of Statistics

ABS forecasts indicate that the ageing of the population is set to continue, with the proportion of the population below 14 years old forecast to be between 15% and 18% in 2056 and 14% and 17% in 2101 while the proportion over 65 is forecast to be between 23% and 25% in 2056 and between 25% and 28% in 2101.

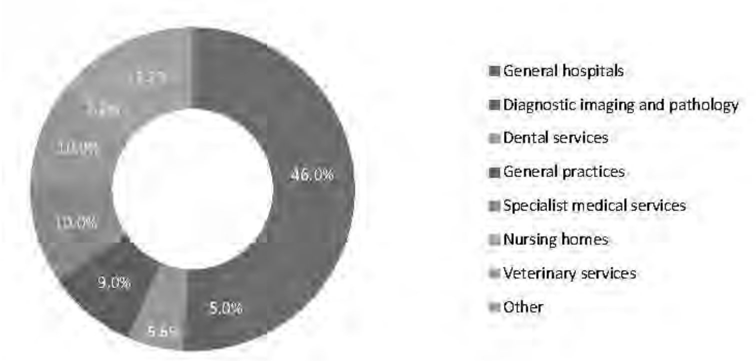
8. Healthcare Industry Overview

8.1 Healthcare Industry

The healthcare industry plays a major role in the Australian economy and society, and this significance is increasing as factors such as the ageing population, government funding and technological advancement take effect.

The industry contains a number of subdivisions, which include general hospitals, general practices, nursing homes, dental services, specialist medical services, veterinary services, pathology and diagnostic services. These subdivisions are all affected differently by the changing composition of the industry and its demand. The split of revenue amongst these subdivisions is illustrated below.

Figure 15 - products and services segmentation in the healthcare industry

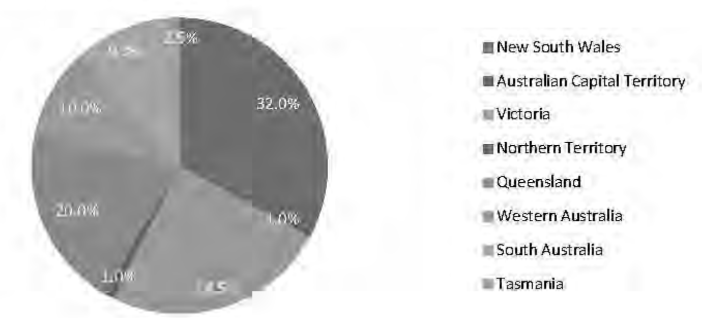


Source: IBISWorld

The industry has a relatively low level of concentration, with the major four entities within the industry possessing a market share of only 9.6%. These entities are the Metropolitan Health Service (3.8% market share), Ramsay Health Care Ltd (2.4% market share), Healthscope Ltd (1.9% market share) and Sonic Healthcare Ltd (1.5% market share). Whilst the level of concentration is low currently, there has been evidence of industry consolidation and increased corporate involvement into the future.

The proportion of healthcare businesses across Australia tends to follow the spread of population across the country, reflecting the significance of the industry to the lives of all Australians. The spread of healthcare businesses across Australia is shown below.

Figure 16 - healthcare business locations in Australia



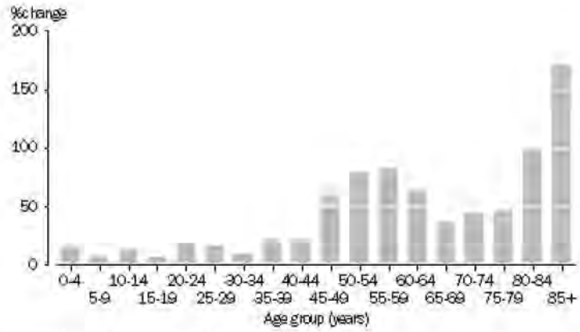
Source: IBISWorld

8.2 Industry growth

The Australian healthcare industry has grown at a faster rate than GDP over recent years, and this looks set to continue into the future. IBISWorld projects that healthcare spending will increase by 4.2% p.a. over the next 5 years. The main factors driving demand for healthcare services are the ageing population, lifestyle changes, government funding, rising incomes and increased demand for health insurance.

The Australian population is getting older as technological and pharmaceutical advances allow people to live longer. As the population ages, the likelihood of illness and invalidity rises, therefore increasing the demand for healthcare. Figure 17 illustrates the significant shift in Australia's population age distribution as the 'Baby Boomers' move into retirement age. All age groups have experienced an increase in population from 1990 to 2010; however, the shifts are most pronounced in the older age groups by a significant margin.

Figure 17 - change in Australian population age groups from 1990 to 2010



Source: Australian Bureau of Statistics

The ageing of Australia's population is expected to increase into the future. ABS forecasts suggest that the median age of Australia's population (which was 36.8 in 2007) is expected to be between 38.7 and 40.7 years in 2026 and between 41.9 and 45.2 years in 2056. This is projected to be due to an increase in the proportion of those aged 65 and over (between 23% and 25% in 2026) and a decline in those aged under 15 (between 15% and 18% in 2026). Therefore, spending on healthcare is likely to increase further due to this rapid ageing of the Australian population.

Changing lifestyles of the Australian population is another cause of increased spending on healthcare, as obesity problems continue to worsen along with associated diseases such as diabetes, heart disease and cancer. Australian obesity levels are amongst the highest in the world and Australia has the fourth highest rate of Type 2 diabetes in the world partially as a result of this.

The table below outlines the proportion of the Australian population that is overweight and obese over time. As can be seen, there has been a small decline in the proportion of the population that is overweight; however, the rate of obesity has increased significantly.

Table 22 - proportion of the Australian population that is overweight or obese

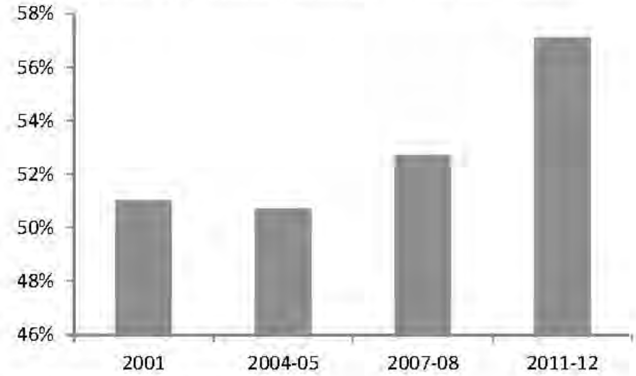
	1995	2007/2008	2011/2012
Panel A: proportion of the Australian population that is overweight			
Males	45.2%	42.1%	41.9%
Females	29.9%	30.9%	28.0%
Total population	37.6%	36.6%	35.0%
Panel B: proportion of the Australian population that is obese			
Males	18.6%	25.6%	28.4%
Females	18.9%	24.0%	28.2%
Total population	18.7%	24.8%	28.3%

Source: National Heart Foundation of Australia

The Australian Federal Government has increased its spending on Medicare and other health services. Medicare funding is calculated to have increased by 6.7% in the 2012/13 financial year and the government has also increased its funding of public hospitals, with total public hospital funding projected to be 45% in 2014/15 and 50% in 2017/18.

Demand for elective procedures has also increased, and is projected to increase into the future, as a larger proportion of the Australian population takes up private health insurance. Figure 18 shows the growth in the proportion of Australians with private health insurance, which is likely to have been partially influenced by the Medicare Levy. The Medicare Levy is a 1-1.5% tax on those without private health insurance which came into effect in the 2013 financial year.

Figure 18 - proportion of the Australian population with private health insurance



Source: Australian Bureau of Statistics

9. Valuation of Arena REIT

9.1 Valuation Approach

We have analysed the fair value of an ARF unit using NTA as our primary methodology. We have utilised NTA as our analysis of trading volumes indicates ARF is an illiquid asset, which therefore raises uncertainty as to whether the ARF unit price reflects the fair value of an ARF unit.

As a cross-check we have compared the NTA premium implied in ARF's unit price to the NTA premium of other listed A-REITS, and we have undertaken VWAP analysis on the ARF unit price over 90, 60, 30, 20, 10 and 5 day calculation periods.

We have only utilised these calculations as cross-checks, rather than in our primary valuation, as the reliability of the ARF unit price as an accurate measure of value is questionable due to ARF's illiquidity. Major announcements, such as ARF's listing and admission to the S&P/ASX 300 index, are the basis for significant spikes in ARF's trading volume. Volume outside these announcements is low and reflects the true nature of ARF's liquidity.

9.2 Valuation of Arena REIT

The table below details our valuation of a unit in ARF using NTA as at 30 September 2013.

Table 23 – ARF's NTA per unit

Tangible assets	$242,929,437
Liabilities	$33,275,729
Net tangible assets	**$209,653,708**
Number of units on issue	206,342,963
NTA per unit	**$1.02**

9.2.1 Components of net assets

Investment properties

ARF's investment properties are approximately 93% of its total assets as at 30 September 2013. These assets have been discussed in Section 4.4.

For reporting purposes as at 30 June 2013:

- ARF had 153 investment properties valued. 34 of these properties were valued independently, equating to 21% of the total value of ARF's investment properties;
- the remaining 119 properties were valued by directors in accordance with independent valuation metrics and methodologies;

Over the last 12 months, 130 of ARF's investment properties have been valued independently by CBRE. The remaining 47 properties were valued by CBRE as at 30 June 2011.

In regards to a sample of independent valuations we reviewed, we concluded that:

- the external property valuers are independent from ARF;
- there were no restrictions of the scope of the independent valuations;
- the reports were prepared by professionals who have sufficient qualifications and competence to provide an informed opinion of the fair market value of assets of this nature;
- the valuation methods used in the property valuations are appropriate and appear to have been applied correctly; and
- nothing has come to our attention that would cause us to make any adjustments for any valuation movements since 30 June 2013.

Other assets

The other assets as at 30 September 2013 comprise cash and receivables. The values of these items are unlikely to materially alter.

Liabilities

ARF's liabilities comprise payables, derivative financial instruments and debt. The values of these items are unlikely to materially alter.

9.3 Valuation cross-checks

9.3.1 Comparison of NTA premium to other listed A-REITS

As at 22 October 2013, ARF's unit price is $1.16, which is a 13.9% premium to its NTA. In order to analyse whether ARF's premium to NTA and the unit price as a measure of fair value, is reasonable, we must analyse the premium/discount to NTA of comparable A-REITS. Table 24 presents the premium/discount to NTA of the A-REIT sector after the removal of outliers.

Table 24 - A-REIT premium/discount to NTA

	Market capitalisation $	NTA per unit $	Share price $	Premium / (discount) to NTA %
360 Capital Industrial Fund	196,670,110	1.93	2.10	8.6%
Abacus Property Group	1,063,753,450	2.28	2.31	1.2%
Agricultural Land Trust	12,748,800	0.10	0.10	1.2%
ALE Property Group	516,654,160	1.88	2.64	40.3%
Aspen Group	203,746,950	0.24	0.17	-28.1%
Astro Japan Property Group	244,650,780	3.82	3.64	-4.6%
Aurora Property Buy-Write Income Trust	12,329,210	5.36	5.33	-0.6%
Australand Holdings Limited	2,168,717,510	3.57	3.75	5.1%
Australian Education Trust	275,480,670	1.33	1.57	18.0%
Australian Social Infrastructure Fund	64,011,890	2.48	2.25	-9.3%
Brookfield Prime Property Fund	186,310,770	5.87	3.80	-35.3%
BWP Trust	1,442,481,610	1.65	2.30	39.1%
Carindale Property Trust	389,200,000	6.45	5.56	-13.8%
CFS Retail Property Trust Group	5,802,321,980	2.01	2.03	0.8%
Challenger Diversified Property Group	550,239,600	2.74	2.57	-6.2%
Charter Hall Group	1,186,632,360	2.08	3.84	84.2%
Charter Hall Retail REIT	1,350,283,330	3.28	3.95	20.4%
Commonwealth Property Office Fund	2,798,801,080	1.15	1.19	3.5%
Dexus Property Group	4,859,639,850	1.07	1.05	-1.8%
Federation Centres	3,383,511,540	2.22	2.37	7.0%
Generation Healthcare REIT	123,887,450	0.97	1.24	27.8%
Goodman Group	8,808,556,900	2.68	5.13	91.0%
GPT Group	6,203,292,420	4.01	3.66	-8.7%
Growthpoint Properties Australia	1,098,187,080	1.94	2.65	36.6%
Ingenia Communities Group	348,263,720	0.26	0.52	99.4%
Investa Office Fund	1,897,569,000	3.23	3.09	-4.5%
Lantern Hotel Group	65,356,970	0.08	0.07	-9.5%
MacArthurCook Property Securities Fund	35,440,080	0.12	0.07	-40.0%
Mirvac Group	6,441,129,730	1.62	1.76	8.3%
Mirvac Industrial Trust	52,556,300	0.21	0.15	-30.8%
P-REIT	43,580,050	0.24	0.21	-12.8%
RNY Property Trust	79,024,170	0.50	0.30	-40.3%
Shopping Centres Australasia Property Group	1,014,992,000	1.57	1.58	0.6%
Stockland Corp. Ltd.	9,309,678,980	3.51	4.04	15.2%
Trinity Group	37,952,500	0.37	0.27	-27.6%
Westfield Group	23,066,420,440	7.20	10.97	52.2%
Westfield Retail Trust	9,195,746,870	3.49	3.09	-11.6%

	Market capitalisation $	NTA per unit $	Share price $	Premium / (discount) to NTA %
Average	**2,554,860,008**	**2.26**	**2.47**	**7.4%**
Average of social infrastructure funds	**154,460,003**	**1.59**	**1.69**	**12.1%**
Average of market capitalisation from $100m to $500m	**246,026,306**	**2.61**	**2.32**	**9.0%**
Market cap weighted average		**3.76**	**4.96**	**24.7%**
Market cap weighted average ex-Westfield Group		**2.64**	**3.02**	**15.8%**

The average premium to NTA of the A-REIT sector is 7.4%, 6.5% less than ARF's premium of 13.9%. ARF's premium may therefore appear to be inflated beyond the market's expectation of the A-REIT sector; however, 11 of the 38 A-REITs assessed have a premium to NTA greater than ARF's, indicating that ARF's premium to NTA isn't unreasonable. The market capitalisation weighted average of a 24.7% NTA premium is 10.7% higher than ARF's premium, indicating that larger A-REITs attract a higher premium. Whilst this is higher than ARF's premium, ARF's premium does not appear unreasonable. It is notable that 14 A-REITS with a higher market capitalisation than ARF have a lower NTA premium.

The most comparable A-REITs to ARF are the Australian Education Trust, the Australian Social Infrastructure Fund and Generation Healthcare REIT, all of which own social infrastructure real estate. The average NTA premium of this group is 12.1%; however, there is significant variance within the group as the largest NTA discount is 9.3% and the largest NTA premium is 27.8%.

Whilst ARF's NTA premium appears to be close to the most comparable A-REITs, it is difficult to draw any significant conclusion from the data due to variance in comparable A-REITS. It is therefore uncertain whether the unit price of $1.16 is a fair measure of value of an ARF unit.

9.3.2 VWAP analysis

We have undertaken VWAP analysis as a cross-check to our primary NTA valuation due to the relative illiquidity of an ARF unit. Due to the illiquidity of ARF's unit price we cannot place reliance on VWAP calculations as a measure of fair value. Therefore, this section is largely for illustrative purposes.

Section 9.4.2 shows the significant impact of ARF's admission to the S&P/ASX 300 index on 20 September 2013 ("Admission Date") on its trading volume, outweighing the impact of all other announcements during the analysis period, even ARF's listing. This spike in volume has the capacity to skew the calculation of ARF's VWAP over periods in which the Admission Date is included. Therefore, we must adjust for the Admission Date in undertaking VWAP analysis.

The ARF unit price rose 4 cents, or 3.4%, on the Admission Date, before falling 2 cents, or 1.21%, the following trading day. This would suggest that the abnormal volume caused a temporary price spike, and that the effect of the Admission Date should be removed from the data set; however, the unit price rises beyond the Admission Date price of $1.18 to $1.19 only 8 trading days later on 2 October 2013. Therefore, the rise in the unit price on the Admission Date doesn't appear to be temporary and has some trading support behind it. We have therefore adjusted for the Admission Date through the Adjustment 1 methodology in Table 26, whereby we have replaced the volume on 20 September 2013 with the average daily volume over the rest of the calculation period, rather than removing the Admission Date from the data set entirely.

The table below presents the range of prices and the VWAP adjusted for the Admission Date using Adjustment 1.

Table 25 - ARF VWAP summary

	Low price $	High price $	VWAP $
5 day	1.150	1.163	1.158
10 day	1.150	1.166	1.158
20 day	1.150	1.197	1.166
30 day	1.110	1.197	1.146
60 day	1.042	1.197	1.107
90 day	1.020	1.197	1.073

Table 25 suggests that the fair value of an ARF unit is between $1.07 and $1.16, significantly higher than ARF's NTA. However, trading in ARF units is not liquid, which means we can place little reliance on the trading price of an ARF's unit as a measure of its fair value.

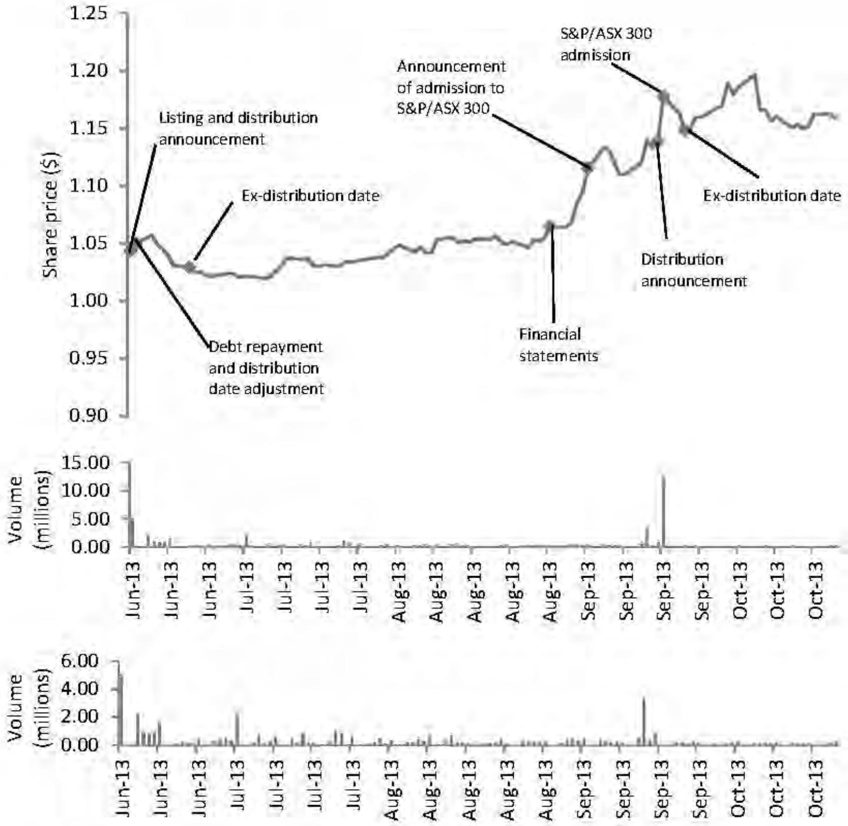
9.4 Price performance and liquidity analysis

9.4.1 ARF Unit Price Performance

Figure 19 shows the performance of ARF units since its listing on 13 June 2013. The unit price has risen relatively sharply since early September 2013 although it has pulled back slightly since early October. We have utilised the daily VWAP as the share price rather than the daily close price in Figure 19.

Figure 19 also shows ARF's volume over this period. ARF's average daily volume is 555,521 units with an average daily trade value of $607,127. We have shown two volume panels, as ARF's admittance to the S&P/ASX 300 index during the analysed period skews the data. ARF was admitted to the S&P/ASX 300 on 20 September 2013 and on this day it experienced volume of 12,573,080, approximately 22.6 times the average daily volume. The top panel shows the raw volume data, whilst the lower panel shows the daily volume without 20 September 2013 to give an indication of ARF's normal daily volume.

Figure 19 - ARF share price performance and volume



There are a number of price sensitive announcements during the period analysed in Figure 19. These announcements are likely to have affected both the ARF share price and volume and are as follows:

- on 13 June 2013, ARF announced its FY2013 final distribution of 0.4 cents per unit which brought the full year distribution to 8.0 cents per unit. These units were to go ex-distribution on 25 June 2013 with a payment date of 15 August 2013;
- on 14 June 2013, it was announced that ARF had repaid $71 million of debt following its IPO, resulting in a remaining debt balance of $24.5 million and gearing of 10%, significantly below its target gearing level of 35% to 45%;
- on 14 June 2013, ARF revised its distribution timeline to an ex-distribution date of 24 June 2013;
- ARF released its FY2013 financial statements on 30 August 2013 with a final profit after tax of $17.2 million, which was 10% higher than the FY2012 profit;
- on 6 September 2013, it was announced that ARF had been admitted to the S&P/ASX 300 index and would enter the index after the close of trade on 20 September 2013 ; and
- ARF's September quarter distribution was announced on 19 September 2013. The distribution was 2.05 cents per unit with an ex-distribution date of 24 September 2013 and a payment date of 15 November 2013.

Analysis of ARF's volume suggests that these events have an impact on the volume and value of trade of ARF; however, the impact of ARF's admission to the S&P/ASX 300 on 20 September 2013 dwarfs all other announcements with daily volume of 12,573,080 approximately 22.6 times the daily average volume.

9.4.2 Liquidity Analysis

Table 26 details the price and liquidity of ARF's units over the 90 days prior to and including the Valuation Date. We present three different values for each calculation: Unadjusted, Adjustment 1 and Adjustment 2. These three separate calculations adjust for the abnormal volume on the Admission Date in different ways. The Unadjusted calculations use the raw data, leaving the Admission Date volume in the data set. Adjustment 1 accounts for the spike in volume associated with joining the S&P/ASX 300 by adjusting the volume so it is equal to the average volume on all other days during each calculation period. Adjustment 2 removes the effect of ARF joining the S&P/ASX 300 altogether through changing the Admission Date volume to 0.

Table 26 - ARF VWAP, volume and value of trade

	90 day	60 day	30 day	20 day	10 day	5 day
			Panel A: VWAP			
Unadjusted	$1.104	$1.138	$1.165	$1.166	$1.158	$1.158
Adjustment 1	$1.073	$1.107	$1.146	$1.166	$1.158	$1.158
Adjustment 2	$1.072	$1.106	$1.145	$1.166	$1.158	$1.158
			Panel B: cumulative volume			
Unadjusted	44,042,270	29,438,260	20,968,210	2,572,340	1,346,830	646,990
Adjustment 1	31,807,568	17,046,526	8,485,400	2,572,340	1,346,830	646,990
Adjustment 2	31,469,190	16,865,180	8,395,130	2,572,340	1,346,830	646,990
			Panel C: cumulative value of trade			
Unadjusted	$48,468,989	$33,425,781	$24,419,822	$2,998,340	$1,559,447	$749,113
Adjustment 1	$34,060,548	$18,832,407	$9,719,191	$2,998,340	$1,559,447	$749,113
Adjustment 2	$33,662,050	$18,618,842	$9,612,883	$2,998,340	$1,559,447	$749,113
			Panel D: average daily volume			
Unadjusted	489,359	490,638	698,940	128,617	134,683	129,398
Adjustment 1	353,417	284,109	282,847	128,617	134,683	129,398
Adjustment 2	349,658	281,086	279,838	128,617	134,683	129,398
			Panel E: average daily value of trade			
Unadjusted	$538,544	$557,096	$813,994	$149,917	$155,945	$149,823
Adjustment 1	$378,451	$313,873	$323,973	$149,917	$155,945	$149,823
Adjustment 2	$374,023	$310,314	$320,429	$149,917	$155,945	$149,823

Admission to the S&P/ASX 300 had a material impact on the VWAPs, daily volume and daily value of trade reported in Table 26. The impact is only evident on calculations over the 90, 60 and 30 day ranges, as 20 September 2013 falls outside the 20, 10 and 5 day calculations. The Admission Date increases the VWAP in all cases. The average daily volume and average daily value of trade are also affected significantly by the removal of the Admission Date.

Table 27 summarises ARF's trading liquidity over the VWAP calculation periods. We have applied the same adjustments as in Table 26 to account for the Admission Date.

Table 27 - ARF trading liquidity summary

	Total volume Units	Total value $	Turnover %	Annualised turnover %
		Panel A: Unadjusted		
5 day	646,990	749,113	0.31%	18.30%
10 day	1,346,830	1,559,447	0.65%	19.05%
20 day	2,572,340	2,998,340	1.25%	18.31%
30 day	20,968,210	24,419,822	10.16%	99.41%

	Total volume Units	Total value $	Turnover %	Annualised turnover %
60 day	29,438,260	33,425,781	14.27%	68.04%
90 day	44,042,270	48,468,989	21.34%	65.77%
		Panel B: Adjustment 1		
5 day	646,990	749,113	0.31%	18.30%
10 day	1,346,830	1,559,447	0.65%	19.05%
20 day	2,572,340	2,998,340	1.25%	18.31%
30 day	8,485,400	9,719,191	4.11%	39.57%
60 day	17,046,526	18,832,407	8.26%	38.33%
90 day	31,807,568	34,060,548	15.41%	46.22%
		Panel C: Adjustment 2		
5 day	646,990	749,113	0.31%	18.30%
10 day	1,346,830	1,559,447	0.65%	19.05%
20 day	2,572,340	2,998,340	1.25%	18.31%
30 day	8,395,130	9,612,883	4.07%	39.13%
60 day	16,865,180	18,618,842	8.17%	37.90%
90 day	31,469,190	33,662,050	15.25%	45.68%

The table above shows both the impact of the Admission Date on measures of ARF's liquidity and that ARF had higher liquidity over longer calculation periods, which coincide with dates just after its listing on 13 June 2013. All liquidity measures calculated on periods over 20 days are higher in the unadjusted period because of the inclusion of the Admission Date. After adjusting for this date we see that the earlier periods have the lowest levels of liquidity, measured through annualised turnover. In the Unadjusted sample the 30 day annualised turnover is the highest. This is because in the 30 day sample the Admission Date is the largest proportion of the sample compared to other time periods, and therefore skews the calculation. When adjusting for the Admission Date we find that the 90 day calculation period is the largest, followed by the 30 day and the 60 day. The 90 day period is the highest when adjusting for the Admission Date because ARF experienced higher liquidity and volume following its listing.

The table below compares the liquidity of ARF to the liquidity of the A-REIT sector, after removing some companies with anomalous data. Liquidity has been measured as the turnover of each company over the previous 90 days as a proportion of their total units/shares on issue. We have utilised 90 days, rather than a full year, because ARF has only been listed since 13 June 2013.

Table 28 - comparable company liquidity

	90 day turnover %	Market capitalisation $
360 Capital Industrial Fund	25.64%	196,670,110
Abacus Property Group	11.26%	1,063,753,450
Agricultural Land Trust	0.66%	12,748,800
ALE Property Group	4.67%	516,654,160
Aspen Group	13.32%	203,746,950
Astro Japan Property Group	14.07%	244,650,780
Aurora Property Buy-Write Income Trust	6.93%	12,329,210
Australand Holdings Limited	10.99%	2,168,717,510
Australian Education Trust	6.87%	275,480,670
Australian Social Infrastructure Fund	8.32%	64,011,890
Brookfield Prime Property Fund	0.20%	186,310,770
BWP Trust	19.01%	1,442,481,610
Carindale Property Trust	1.98%	389,200,000
CFS Retail Property Trust 1	29.56%	5,802,321,980
Challenger Diversified Property Group	8.38%	550,239,600
Charter Hall Group	16.77%	1,186,632,360
Charter Hall Retail REIT	31.91%	1,350,283,330
Commonwealth Property Office Fund	44.08%	2,798,801,080
Dexus Property Group	38.71%	4,859,639,850
Federation Centres	34.30%	3,383,511,540
Generation Healthcare REIT	5.77%	123,887,450
Goodman Group	27.80%	8,808,556,900
GPT Group	32.45%	6,203,292,420
Growthpoint Properties Australia	2.80%	1,098,187,080
Ingenia Communities Group	39.73%	348,263,720
Investa Office Fund	31.32%	1,897,569,000
Lantern Hotel Group	9.05%	65,356,970
MacArthurCook Property Securities Fund	6.71%	35,440,080
Mirvac Group	31.42%	6,441,129,730
Mirvac Industrial Trust	11.43%	52,556,300
P-REIT	2.34%	43,580,050
RNY Property Trust	9.70%	79,024,170
Shopping Centres Australasia Property Group	25.51%	1,014,992,000
Stockland Corp. Ltd.	36.00%	9,309,678,980
Trinity Group	10.01%	37,952,500
Westfield Group	28.95%	23,066,420,440
Westfield Retail Trust	32.36%	9,195,746,870
Average	**18.14%**	**2,554,860,008**
Average (market cap weighted)	**29.64%**	
Median	**13.32%**	**550,239,600**
ARF:		
Unadjusted	21.34%	239,357,840
Adjustment 1	15.41%	
Adjustment 2	15.25%	

ARF is significantly smaller than the average and median A-REITS sampled in Table 28; however, despite this its liquidity is comparable. ARF's raw turnover is 3.2% higher than the average turnover of the sample, and even when adjusting for the Admission Date's volume, ARF remains higher. Adjusting for the market capitalisation of the comparable companies increased the average, as expected, but ARF's turnover is still comparable, and is higher than 10 comparable companies on an unadjusted basis and 8 after adjustment. Over the entire sample, ARF's turnover is higher than 22 comparable companies when using the unadjusted sample and 20 companies when using the adjusted sample.

The information above suggests that ARF is a liquid asset; however, the impact of the admission to the S&P/ASX 300 and the impact of ARF's listing still raise questions regarding the sustainability of this liquidity. The table below analyses the turnover of ARF over three different periods. The first period is from ARF's listing on 13 June 2013 to the day prior to the announcement of ARF's admission to the S&P/ASX 300. Period 2 is from the announcement of ARF's admission to the Admission Date. Period 3 is from the day following the Admission Date to the Valuation Date.

Table 29 - ARF liquidity over different periods

	Period 1	Period 2	Period 3
Start date	13-Jun-13	06-Sep-13	21-Sep-13
End date	05-Sep-13	20-Sep-13	22-Oct-13
Volume	30,269,210	19,055,950	2,893,840
Average volume per day	496,217	1,732,359	131,538
Turnover %	14.7%	9.2%	1.4%
Annualised turnover %	61%	212%	16%

The table above shows that ARF's liquidity is focused in periods 1 and 2, in the third period ARF has extremely low liquidity. ARF's liquidity in Period 1 is due to its listing, with two very high liquidity days of 5,290,568 trades and 2,313,999 trades on the 14th and 15th of June respectively. The second period's liquidity is due to ARF's admission to the S&P/ASX 300, with two-thirds of the period's turnover on the Admission Date. Period 3's liquidity is significantly lower than the first two periods. The highest volume day in Period 3 is 22 October 2013, with turnover of 255,070 units, which is lower than the average daily volume of the first two periods.

The inconsistent liquidity, combined with the short period over which we can analyse ARF, indicates that VWAP is not a reliable measure of value for ARF. Any conclusions we draw from analysis of ARF's share price could be biased by the low liquidity and not represent a true measure of the fair value of a unit.

9.5 Valuation of ARF's contribution to the Stapled Group

The fair value of an ARF unit is $1.02, therefore its contribution of 206,342,963 units to the Stapled Group has a fair value of $210,469,822.

Table 30 - ARF's contribution to the Stapled Group

Fair value of an ARF unit	1.02
Number of ARF units	206,342,963
Value of ARF contribution	**210,469,822**

10. Valuation of Sydney Healthcare Trust

10.1 Valuation Approach

SHCT is an unlisted A-REIT which is in its wind-up period. There are therefore limited methodologies available to value a unit in SHCT. We have elected to use the NTA of SHCT as our valuation methodology.

10.2 Valuation of Sydney Healthcare Trust

Table 31 details the NTA valuation of SHCT based on the management accounts as at 30 September 2013.

Table 31 - NTA valuation of SHCT

Total tangible assets	$55,717,657
Total liabilities	$28,037,349
Net tangible assets	**$27,680,309**
Number of units on issue	27,019,634
NTA per unit	**$1.02**

The NTA valuation methodology is the most appropriate for SHCT as the fund has entered its wind up period and may be liquidated if the Proposed Transactions do not occur. The liquidation of the fund will entail the sale of the portfolio of properties and the payment of any liabilities and fees associated with the asset sale. Therefore, the unit holders will receive the value of tangible assets that have been sold, less the fund's liabilities, which is the net asset value of the fund.

In undertaking a NTA per unit valuation it is usual practice to adjust the NTA for fees paid to the Responsible Entity upon a liquidity event, such as the wind up of the fund or a stapling. SHCT have already taken these fees into account in their 30 September 2013 balance sheet, which therefore means there is no need to adjust the NTA calculation for these fees, which total $3.4 million.

10.3 Components of net assets

10.3.1 Investment properties

SHCT's investments properties are approximately 98% of its total assets as at 30 September 2013. These assets have been discussed in Section 5.4.

For reporting purposes as at 30 June 2013, SHCT had all 6 properties valued independently by Colliers.

In regards to a sample of independent valuations we reviewed, we concluded that:

- the external property valuers are independent from SHCT;
- there were no restrictions of the scope of the independent valuations;
- the reports were prepared by professionals who have sufficient qualifications and competence to provide an informed opinion of the fair market value of assets of this nature;
- the valuation methods used in the property valuations are appropriate and appear to have been applied correctly; and
- nothing has come to our attention that would cause is to make any adjustments for any valuation movements since 30 June 2013.

10.3.2 Other assets

SHCT's other assets as at 30 September 2013 comprise cash and receivables. The values of these items are unlikely to materially alter.

10.3.3 Liabilities

SHCT's liabilities comprise payables, provisions for Responsible Entity fees, derivatives and debt. The values of these items are unlikely to alter materially.

10.4 Valuation of SHCT's contribution to the Stapled Group

The fair value of an SHCT unit is $1.02, therefore its contribution of 27,019,634 units to the Stapled Group has a fair value of $27,560,027.

Table 32 – SHCT's contribution to the Stapled Group

Fair value of an SHCT unit	1.02
Number of SHCT units	27,019,634
Value of SHCT contribution	**27,560,027**

11. Evaluation of the Proposed Transaction: Arena REIT Unit Holders

11.1 Summary

In Moore Stephens' opinion, the Proposed Transactions are in the best interests of ARF Unit Holders as it is likely that they will be better off if the Proposed Transactions were implemented than if they were not.

The terms of the Proposed Transactions are fair and reasonable to ARF Unit Holders.

ARF Unit Holders will contribute 88.42% of the estimated underlying value of the Stapled Group and will hold 88.42% of the Stapled Securities.

ARF Unit Holders will not be able to elect to participate in the Redemption Offer. However, the impact of the Redemption Offer on ARF Unit Holders is neutral and there are benefits in allowing SHCT Unit Holders who are seeking a liquidity event to exit the Stapled Group via redemption rather than selling Stapled Securities on the ASX.

The difference between the pro forma NTA of the Stapled Group and the NTA of ARF is negligible. The Stapling is accretive to forecast DPU with the full year impact of the higher gearing in FY2014 resulting in a 3.7% increase in EPU.

There are a number of advantages and benefits of the Proposed Transactions which outweigh the disadvantages, costs and the potential alternatives available to ARF Unit Holders.

This section sets our detailed analysis of the Proposed Transactions.

11.1 Proportional Contribution to the Stapled Group

Moore Stephens prepared valuations of ARF and SHCT which are set out in Section 9 and 10 respectively. The valuations have been used to estimate the value that ARF Unit Holders and SHCT Unit Holders will contribute to the Stapled Group. The value contributed to the Stapled Group does not represent the expected market capitalisation of the Stapled Group which will be determined by the market price of a Stapled Security on the ASX.

The table below summarises our assessment of the contributions to the Stapled Group attributable to ARF Unit Holders:

Table 33 - fairness of ARF contribution to stapled entity

Value of ARF contribution to the Stapled Group	$210,469,822
Total value contributed to the Stapled Group	$238,029,849
Proportion contributed by ARF	88.42%
Proportion of entitlement to Stapled Securities held ARF by ARF Unit Holders	88.42%

Table 33 indicates that ARF Unit Holders contribute 88.42% of the value of the Stapled Group and will hold an entitlement to 88.42% of the Stapled Securities. As the proportion of Stapled Securities held by ARF Unit Holders is equal to the value contributed to the Stapled Group by ARF, the Stapling is fair to ARF Unit Holders.

11.2 The Redemption Offer

The Redemption Offer provides SHCT Unit Holders with a liquidity event at a fixed price, $1.15, at a fixed point in time regardless of the market price of a Stapled Security. The redemption price is equivalent to a 12.75% premium on our assessed value of a SHCT unit. Importantly, the Redemption Offer is for an entitlement to a Stapled Security, not a SHCT unit.

The Redemption Offer has the characteristics of a Put Option in the hands of SHCT Unit Holders. However, at the time of electing to redeem, SHCT Unit Holders will not be aware of the market price of a Stapled Security as the election must be made prior to the Stapling and prior to the Stapled Units being listed on the ASX.

ARF Unit Holders are unable to participate in the liquidity event. As ARF Unit Holders hold listed units they are able to sell their units at any point prior to the implementation of the Proposed Transactions with a transparent market price of their units prior to selling. Therefore, the question of fairness from an ARF perspective depends on whether the Redemption Offer is priced at the fair value of a Stapled Unit. If the Redemption Offer is priced fairly, then it is the equivalent of selling the Stapled Unit in the market, whereas if it is priced unfairly then SHCT Unit Holders are receiving greater compensation than the fair value of a Stapled Unit if they elect to redeem.

Due to the fact that there is no spot price for a Stapled Security at the date of this Report and there will not be a spot price at the date SHCT Unit Holders have to make an election to redeem or hold the Stapled Securities, Moore Stephens has analysed the potential price at which a Stapled Security could trade at the date the Stapled Securities are redeemed. Our analysis has been performed by reference to:

- the DPU yield at which comparable social infrastructure A-REITS trade on the ASX;
- the premium to NTA at which comparable infrastructure A-REITS trade on the ASX; and
- the VWAP of an ARF unit as a proxy for a Stapled Unit given the Stapling Ratio is 1:1.

This analysis is not a valuation of the Stapled Group or our opinion on the price that a Stapled Security will trade on the ASX. As discussed in Section 9.4.2, the market price of ARF and other social infrastructure A-REITS may not represent the fair value of the A-REITS as the trade in their units may not be sufficiently liquid. Moore Stephens has prepared this analysis to indicate price scenarios based on historical market data.

Table 34 - Stapled Unit valuation metrics

	Comparable A-REITS		Stapled Security price	
	Low	High	Low	High
DPU yield of listed comparables	7.8%	5.9%	$1.13	$1.49
NTA premium of listed comparables	-9.3%	27.8%	$0.91	$1.28
VWAP of ARF			$1.07	$1.16

The redemption price of $1.15 falls within the range of potential scenarios Moore Stephens has analysed, which indicates that the Stapled Group will redeem the SHCT Unit Holders at price within the range that a Stapled Security could be expected to trade on the ASX. However, the ranges are quite wide and are only indicative of potential scenarios based on historical market data at the date of this Report. The price that a Stapled Security will trade at on the ASX could be above or below $1.15.

There are other advantages and disadvantages of the Redemption Offer for ARF Unit Holders:

- immediately following the Stapling, SHCT Unit Holders will hold an entitlement to 11.58% or 27,019,634 of the Stapled Securities on issue. It is likely that a significant majority of Stapled Securities held by SHCT Unit Holders would be traded in the short term as SHCT Unit Holders seek a liquidity event. There is a risk that short term trading could put downward pressure on the market price of a Stapled Security in the short term. The Redemption Offer could alleviate this downward pressure, by providing an orderly exit mechanism for SHCT Unit Holders who do not wish to hold Stapled Securities;
- as demonstrated in Section 6.5, the greater the number of SHCT Unit Holder redeem, the higher the forecast DPU and EPU of the Stapled Group. The increase in performance measures is not significant in the context of the Proposed Transactions; and
- the Redemption Offer is funded by debt which, without a redemption, would be available for funding acquisitions.

In our opinion, the Redemption Offer is fair and reasonable for ARF Unit Holders.

11.3 Financial Impact of the Proposed Transactions

The financial impact of the Proposed Transactions has been assessed by comparing the EPU per unit, the NTA per unit and the gearing of ARF if the Proposed Transactions did not proceed with the pro forma EPU per Stapled Security, pro forma NTA per Stapled Security and the pro forma gearing of the Stapled Group after implementation of the Proposed Transactions.

Table 35 - financial impact of the Proposed Transactions on ARF Unit Holders

	Pre-Proposed Transaction	Post-Proposed Transaction		
			Change	
	Amount	Amount	Amount	Percentage
FY2014 EPU	$0.082	$0.085	$0.003	3.7%
NTA per unit	$1.02	$1.00	-$0.01	-1.4%
Gearing	10.71%	25.77%	15.06%	140.6%

The increase in EPU is largely due to the increased gearing and the yield of the SHCT exceeding the cost of debt. The reduction in net assets is largely due to the transaction costs and Redemption Offer of the Proposed Transactions and is not significant. The increase in gearing is due to SHCT's standalone gearing being 42.5% and the payments for the redemption of Stapled Securities being funded from ARF's existing undrawn debt.

From an ARF Unit Holder perspective, the Proposed Transactions will be accretive to EPU and the increased gearing brings the Stapled Group's gearing closer to ARF's target gearing of 35% to 45%. The reduction in NTA is not significant.

11.4 Other advantages and Disadvantages of the Proposed Transactions

11.4.1 Other advantages of Approving the Proposed Transaction

Table 36 below outlines the advantages to ARF Unit Holders of approving the Proposed Transaction.

Table 36 - advantages to ARF Unit Holders of approving the Proposed Transaction

Advantages	Explanation
Portfolio diversification	The Proposed Transactions provide the opportunity for ARF Unit Holders to gain exposure to properties with different characteristics and tenants compared to their current exposure. The SHCT properties are all high quality, healthcare assets with higher Passing Yields (8.9%) and a longer WALE (9.0 years) than ARF's property portfolio. The SHCT property portfolio has triple net leases with Primary Health Care as the tenant, a large, listed company. Market reviews are at the greater of the market rent and passing rent, meaning the rents will never decrease.
Increased scale	If the Proposed Transactions are approved the Stapled Group will have a significantly larger property portfolio than the standalone trusts. From an ARF Unit Holder's perspective the property portfolio they are exposed to will increase from a value of $234.9 million to $289.6 million (23%). The Proposed Transactions will also increase the market capitalisation of the Stapled Entity compared to ARF on a standalone basis. This increase should further cement ARF's place in the S&P/ASX 300 index. The greater market capitalisation of the Stapled Group could also be associated with a more liquid investment than ARF on a standalone basis.

11.4.2 Other disadvantages of Approving the Proposed Transaction

Table 37 below outlines the disadvantages to ARF Unit Holders of accepting the Proposed Transaction.

Table 37 - disadvantages to ARF Unit Holders of approving the Proposed Transaction

Disadvantages	Explanation
Cost of the Proposed Transactions	ARF has incurred a costs of approximately $550,000 regardless of whether the Proposed Transactions are implemented, which reduces NTA from $1.02 to $1.00.
Foreign Unit Holders Stapled Securities will be sold	Foreign Investors will not receive Stapled Securities in connection with the Stapling Proposal (due to legal restrictions), but will instead have the Stapled Securities to which they would otherwise be entitled sold through the Sale Facility. Section 7.3 of the Explanatory Memorandum explains the Sale Facility.

11.5 Alternatives available to ARF Unit Holders

The alternatives to the Proposed Transactions for ARF Unit Holders are discussed below.

11.5.1 Status quo

ARF Unit Holders could decide to not pursue growth through acquisitions and development. When compared to the Proposed Transactions this alternative would not be in the best interest of ARF Unit Holders as:

- the price an ARF unit has traded on the ASX since the listing date reflects a premium over NTA of between $0.01 and $0.18 per unit. Given the low gearing of ARF and the August 30 2013 announcement that Arena will '...focus on opportunities in the childcare sector, as well as healthcare and education, where we will aim to secure attractive, high yielding assets leased on a relatively long term basis' it is reasonable to assume that the premium to NTA incorporates an element of growth expectations. A status quo option would therefore put downward pressure on market price of ARF; and
- the DPU under the status quo will be less than under the Proposed Transactions.

11.5.2 Control transaction or portfolio acquisition with SHCT

ARF Unit Holders might prefer to make a takeover bid for SHCT or acquire the property portfolio from SHCT. A transaction on this basis would be subject to a bidding process. This may allow ARF to acquire the portfolio at a price that may be in excess of $1.02, but less than $1.15. However, the acquisition price is not able to be estimated nor can it be determined whether ARF would be the successful bidder. In a control transaction there would be no need for a redemption facility at $1.15.

If ARF Unit Holders were to reject the Proposed Transactions and make an offer for the SHCT units or the property portfolio, it is unlikely that Arena as Responsible Entity for SHCT would then accept a proposal from ARF in which SHCT Unit Holders are potentially worse off than under the Proposed Transactions. It is our understanding that in an orderly disposal of assets or control transaction, Arena would seek to realise value in the assets of SHCT in excess of the independent valuations at 30 June 2013. An increase in the value of the property portfolio of 5% (from $54.65 million to $57.5 million) over the 30 June 2013 independent valuations would equate to an NTA per unit for SHCT of $1.13 before selling and wind up costs.

Furthermore, an acquisition of SHCT Units or the SHCT property portfolio will incur stamp duty that will not be incurred if the Proposed Transactions are implemented. ARF would be liable for the stamp duty costs which would be between $3.0 million and $3.2 million based on the 30 June 2013 independent valuations and a 5% increase in the 30 June 2013 independent valuations respectively.

The table below shows what the cost of acquiring SHCT units would be to ARF on a full cost of acquisition basis assuming acquisition at the:

- NTA at 30 September 2013 as assessed in Section 10 of this Report ; and

- NTA at 30 September 2013 adjusted for a 5% increase in the 30 June 2013 independent valuations.

We have shown the total acquisition cost of an SHCT unit on a per unit basis to allow a comparison to be made with the price at which the Stapled Group will redeem a SHCT Unit Holders entitlement to a Stapled Security.

Table 38 – analysis of the total cost of acquiring SHCT units

	Assessed NTA of SHCT $	NTA of SHCT with 5% increase in property values $
Net tangible assets	27,680,309	30,530,309
Number of units on issue	27,019,634	27,019,634
Purchase price per SHCT unit	**1.02**	**1.13**
Stamp duty	2,991,240	3,147,990
Additional costs[1]	-	314,258
Costs per SHCT unit	**0.11**	**0.13**
Acquisition cost of an SHCT unit	**1.14**	**1.26**
Redemption price	1.15	1.15
Discount/(premium) to redemption price	**1.3%**	**-9.4%**

[1] the additional costs are fees that would be payable to Arena based on the higher value of the property portfolio.

Our analysis shows that the redemption price is not significantly greater than the cost of acquiring SHCT units at NTA in a control transaction. A 5% increase in the independent valuations of SHCT's property portfolio would result in a cost of acquiring SHCT units that is significantly greater than the redemption price.

11.5.3 Further control transactions or acquisitions with third parties

ARF Unit Holders may prefer a control transaction or property transactions with other third parties. The Proposed Transactions would not preclude the Stapled Group from exploring other opportunities as the Stapled Group will have the flexibility and the capacity within the debt facility and access to equity capital markets to make other acquisitions.

11.6 Conclusion

In Moore Stephens' view, ARF Unit Holders will be better off if the Proposed Transactions are implemented than if they are not. The Proposed Transactions are in the best interest of, and are fair and reasonable to, ARF Unit Holders.

12. Evaluation of the Proposed Transaction: Sydney Healthcare Trust Unit Holders

12.1 Summary

In Moore Stephens opinion, the Proposed Transactions are in the best interests of the Non-associated SHCT Unit Holders as it is likely that they will be better off if the Proposed Transactions were implemented than if they were not.

The terms of the Proposed Transactions are fair and reasonable to Non-associated SHCT Unit Holders.

SHCT Unit Holders will contribute 11.58% of the estimated underlying value of the Stapled Group and will hold an entitlement to 11.58% of the Stapled Securities.

SHCT Unit Holders will be able to elect to participate in a liquidity event at $1.15 per Stapled Security or continue to hold all or a portion of their Stapled Securities and gain exposure to the performance of the Stapled Group.

The changes in NTA and DPU are negligible and the reduction in gearing and access to an unused debt facility of approximately $62 million will allow the Stapled Group to grow through debt funded acquisitions.

There are a number of advantages and benefits of the Proposed Transactions which outweigh the disadvantages, costs and the potential alternatives available to SHCT Unit Holders.

This section sets out our detailed analysis of the Proposed Transactions.

12.2 Proportional Contribution to the Stapled Group

Moore Stephens prepared valuations of ARF and SHCT which are set out in Sections 9 and 10 respectively. The valuations have been used to estimate the value that ARF Unit Holders and SHCT Unit Holders will contribute to the Stapled Group. The value contributed to the Stapled Group does not represent the expected market capitalisation of the Stapled Group which will be determined by the market price of a Stapled Security on the ASX.

The table below summarises our assessment of the contributions to the Stapled Group attributable to SHCT Unit Holders:

Table 39 - fairness of SHCT contribution to stapled entity

Value of SHCT contribution to Stapled Group	$27,560,027
Total value contributed to the Stapled Group	$238,029,849
Proportion contributed by SHCT	11.58%
Proportion of entitlement to Stapled Securities held by SHCT Unit Holders	11.58%

Table 39 indicates that SHCT Unit Holders contribute 11.58% of the value of the Stapled Group; and will hold an entitlement to 11.58% of the Stapled Securities. SHCT Unit Holders receive interests in the Stapled Group equal to their contribution to the Stapled Group therefore, the Stapling is fair to SHCT Non-associated Unit Holders.

12.3 The Redemption Offer

The Redemption Offer provides SHCT Unit Holders with a liquidity event at a fixed price, $1.15, at a fixed point in time regardless of the market price of a Stapled Security. Importantly, the Redemption Offer is for an entitlement to a Stapled Security, not a SHCT unit. For this reason a comparison between the fair value of a SHCT unit and the redemption price would not be valid.

The Redemption Offer provides SHCT Unit Holders with the choice between:

- redeeming 100% of your entitlement to a Stapled Security;
- redeeming a portion of your entitlement to a Stapled Security and holding the balance in Stapled Securities;
- taking your full allocation of Stapled Securities.

This flexibility allows SHCT Unit Holders to take as much or as little exposure to the performance of the Stapled Group as they are comfortable with and fund any potential capital gains tax liability from the redemption proceeds while retaining exposure to the performance of the Stapled Group.

The Redemption Offer has the characteristics of a Put Option in the hands of SHCT Unit Holders. However, at the time of electing to redeem, SHCT Unit Holders will not be aware of the market price of a Stapled Security as the election must be made prior to the Stapling and prior to the Stapled Units being listed on the ASX.

Whether the Redemption Offer is beneficial to SHCT Unit Holders will depend on a number of factors, including:

- investor's desire to realise the value of funds previously invested in SHCT;
- investor's perception of the potential market value of a Stapled Security;
- investor's desire for exposure to an ASX listed security;
- investor's risk profile; and
- investor's portfolio construction and existing exposure to ASX listed A-REITS, unlisted A-REITS.

Due to the fact that there is no spot price for a Stapled Security at the date of this Report and there will not be a spot price at the date SHCT Unit Holders have to make an election to redeem or hold the Stapled Securities, Moore Stephens has analysed the potential benefit of the Redemption Offer to SHCT Unit Holders by analysing the potential market price of a Stapled Security by reference to:

- the DPU yield at which comparable social infrastructure A-REITS trade on the ASX;
- the premium to NTA at which comparable infrastructure A-REITS trade on the ASX; and
- the VWAP of an ARF unit as a proxy for a Stapled Unit given the Stapling Ratio is 1:1.

This analysis is not a valuation of the Stapled Group or our opinion on the price that a Stapled Security will trade on the ASX. As discussed in Section 9.4.2, the market price of ARF and other social infrastructure A-REITS may not represent the fair value of the A-REITS as the trade in their units may not be sufficiently liquid. Moore Stephens has prepared this analysis to indicate price scenarios based on historical market data.

Table 40 - Stapled Unit valuation metrics

	Comparable A-REITS		Stapled Security price	
	Low	High	Low	High
DPU yield	7.8%	5.9%	$1.13	$1.49
NTA premium	-9.3%	27.8%	$0.91	$1.28
VWAP of ARF			$1.07	$1.17

The redemption price of $1.15 falls within the range of potential scenarios Moore Stephens has analysed. However, the ranges are quite wide and are only indicative of potential scenarios based on historical market data at the date of this Report. The price that a Stapled Security will trade at on the ASX could be above or below $1.15.

In our opinion, the Redemption Offer is fair and reasonable for SHCT Non-associated Unit Holders.

12.4 Financial Impact of the Proposed Transactions

The financial impact of the Proposed Transactions has been assessed by comparing the DPU per unit, the NTA per unit and the gearing of SHCT if the Proposed Transactions did not proceed with the pro forma DPU per Stapled Security, pro forma NTA per Stapled Security and the pro forma gearing of the Stapled Group after implementation of the Proposed Transactions.

Table 41 - financial impact of the Proposed Transactions on SHCT Unit Holders

	Pre-Proposed Transaction	Post-Proposed Transaction		
			Change	
	Amount	Amount	Amount	Percentage
FY2014 DPU	$0.098	$0.0845	-$0.013	-13.3%
NTA per unit	$1.02	$1.00	-$0.02	-2.1%
Gearing	42.38%	25.77%	-16.61%	-39.2%

The Proposed Transactions result in reductions in the NTA and DPU compared to SHCT on a standalone basis. The reduction in net assets is due to the transaction costs and the Redemption Offer and is not significant. The material reduction in DPU is largely due to the lower gearing of ARF compared to SHCT as the ungeared Passing Yield on ARF is greater than the ungeared Passing Yield on SHCT. The reduction in gearing is due to ARF's standalone gearing being 10.6%. The gearing of the Stapled Security on a pro forma basis also includes the payments for the redemption of Stapled Units being funded from ARF's existing undrawn debt.

In considering the reduction in the FY2014 DPU we have also taken into account the most likely alternative to the Proposed Transactions is an orderly disposal of the SHCT Property Portfolio and wind up of SHCT rather than an extended term. Therefore the reduction in DPU would only be in the short term when compared to the most likely alternative transaction.

From a SHCT Unit Holder perspective, the Proposed Transactions will have a material negative effect on DPU in the short term. The low gearing of the Stapled Group and the undrawn debt facility will facilitate growth through development and acquisition funded by debt. The reduction in NTA is not material.

12.5 Other Advantages and benefits and disadvantages and costs of the Proposed Transactions

12.5.1 Other advantages and benefits of the Proposed Transaction

Table 42 outlines the advantages and benefits to SHCT Unit Holders of the Proposed Transactions.

Table 42 - advantages to SHCT Unit Holders of approving the Proposed Transaction

Advantages	Explanation
Liquidity	As an ASX listed A-REIT the Stapled Group is expected to be included in the S&P/ASX 300 index and the S&P/ASX A-REIT 300 index. Inclusion in these indices may, over time, lead to improved liquidity options and realisation of the fair value of a Stapled Security.
Potential for growth	SHCT is in its wind up phase and within its target gearing. There is little opportunity for growth from acquisition or major capital works on existing assets. SHCT Unit Holders who elect to hold their Stapled Securities will benefit from the lower gearing of the Stapled Group and the headroom in the debt facility of $62m. As a listed A-REIT the Stapled Group will have the debt capacity, access to capital markets and flexibility to take advantage of development and growth opportunities.
Portfolio diversification	The SHCT assets are all large-scale medical centres leased to Primary Health Care and located in NSW. ARF's portfolio is geographically diverse, exposed to 6 main tenants and concentrated in childcare and early learning.

Advantages	Explanation
The Stapled Group will have lower management fees	Arena will be entitled to charge the Stapled Group a tiered management fee on the gross value of assets for managing and administering the Stapled Group. On assets up to $400 million in, the maximum fee payable is to 0.80%. Arena is presently entitled to charge SHCT an annual management fee of 1.00% of the gross assets.
No stamp duty on units	It is expected that the Stapling will not give rise to stamp duty on SHCT units.
SHCT distribution up to the Stapling Date	SHCT Unit Holders will receive a pro rata distribution of $0.0195 per unit up to the date of the Stapling Date.

12.5.2 Other disadvantages and costs of the Proposed Transaction

Table 43 outlines the disadvantages and costs to SHCT Unit Holders of the Proposed Transactions.

Table 43 - disadvantages to SHCT Unit Holders of approving the Proposed Transaction

Disadvantages	Explanation
CGT event	Section 10 of the Explanatory Memorandum explains the taxation implications for SHCT Unit Holders of the return of capital from SHCT, the Redemption Offer and electing to hold Stapled Securities. The return of capital of $1.017 per SHCT Unit will reduce the cost base of a SHCT Unit. Where the capital return exceeds the cost base of a SHCT Unit, a capital gain will arise. A SHCT Unit Holder who elects to redeem their Stapled Securities will be deemed to have disposed of the Stapled Security. A capital gain will arise equal to the difference between the redemption price of $1.15 and the cost base of the Stapled Security of $1.017. Depending on Unit Holders' circumstances they may be entitled to claim the CGT discount on any capital gains. Under the alternative transactions available to SHCT Unit Holders, a CGT liability would arise on a sale of the property portfolio and wind up and a control transaction with a third party.
Transaction costs	The Transaction Costs of the Proposed Transactions are estimated to be approximately $1.2 million. SHCT will incur costs of approximately $0.5 million regardless of whether the Proposed Transaction is implemented.
Foreign Unit Holders' Stapled Securities will be sold	Foreign Investors will not receive Stapled Securities in connection with the Stapling Proposal (due to legal restrictions), but will instead have the Stapled Securities to which they would otherwise be entitled sold through the Sale Facility. Section 6.3 of the Explanatory Memorandum explains the Sale Facility.

12.6 Alternatives available to SHCT Unit Holders

If the Proposed Transactions do not proceed, Arena will need to find and implement an alternative proposal for SHCT Unit Holders prior to the end of the term of SHCT on 27 August 2014. The realistic alternatives available to SHCT Unit Holders are discussed below.

12.6.1 Sale of the property portfolio

Given SHCT is due to wind up by 27 August 2014, the sale of the property portfolio is potentially an attractive alternative to the Proposed Transactions for SHCT Unit Holders. The sale of the portfolio would realise the value of the SHCT properties and allow Arena to settle all liabilities and distribute the net proceeds to SHCT Unit Holders.

The Passing Yield, lease quality, demand for healthcare assets and WALE mean the property portfolio is marketable. In a co-ordinated selling program it is not unrealistic to expect that the portfolio could be sold in-line which may realise values in excess of the independent valuations at 30 June 2013.

There are disadvantages and risks associated with this alternative:

- to achieve a return of $1.15 per SHCT unit the sale price of the property portfolio would need to exceed the 30 June 2013 independent valuations by approximately $5.3 million or 9.8%. A portfolio sale price of $59.99 million would equate to a yield on passing income (before transaction costs) of 7.90% compared to the independent valuations yield on passing income of 8.67%. In the current market it is unlikely that the property portfolio could be sold above this level;
- the cost to SHCT of selling the portfolio of properties and winding up will reduce the net assets available for distribution to SHCT Unit Holders. Arena has estimated these costs at approximately $0.8 million or 1.3% of the value of the property portfolio plus the balance of the unamortised loan establishment costs. This would reduce the NTA of SHCT to approximately $0.99 based on the 30 June 2013 independent valuations. The redemption price of $1.15 is at a 15.6% premium to the adjusted NTA;
- a co-ordinated selling campaign could take up to 9 months from start until final settlement and SHCT Unit Holders would not receive any sale proceeds until all liabilities had been settled; and
- Arena has capped the deferred management fee and selling fee that it is entitled to under the Proposed Transactions at the amount owing based on the 30 June 2013 independent property valuations. In a realisation of the property portfolio Arena's fees would not be fixed and could exceed the values as at 30 June 2013.

The Proposed Transactions do not preclude SHCT Unit Holders from realising the value of their property interests. The Proposed Transactions give SHCT Unit Holders the option to realise value at $1.15, trade Stapled Securities at their market price or hold Stapled Securities for the short, medium or long term.

The divestment of properties and winding up of SHCT should be viewed as the alternative of last resort if there are no superior alternatives. Given the analysis in Sections 12.6.2 and 12.6.3 below, Moore Stephens believes that an orderly sale process and wind up of SHCT is the most likely alternative if the Proposed Transactions are not implemented.

12.6.2 Extension of the trust

Another option for SHCT Unit Holders is to extend the trust. Any time up to 28 February 2014, Arena can issue an extension notice as Responsible Entity of SHCT asking Unit Holders if they want to extend the life of the trust for up to 5 years or exit their investment. If there is unanimous consent, the trust can be extended, otherwise Arena has to find new investors for all Unit Holders seeking an exit. The price at which SHCT units would be sold by Arena is the NTA of SHCT.

An extension of the trust allows Unit Holders the opportunity to remain invested in SHCT and continue to receive distributions from their Units, which are forecast by SHCT to be 9.8 cents per unit in FY2014.

In assessing the option for the extension of the trust, it must be noted that the current strategy of APF is to liquidate its investments in unlisted funds. If APF wanted to exit SHCT rather than roll over their investment, Arena would have to find investors willing to acquire 12,672,684 units in SHCT. This represents 46.9% of SHCT units and there may be other investors seeking liquidity. In the event that Arena could not sell all of the SHCT units of Unit Holders who wish to exit, Arena would have to dispose of the properties and wind SHCT up as described in Section 12.6.1.

Furthermore, while SHCT can be extended for 5 years, the actual length of the extension would be uncertain. The longer the life of SHCT the shorter the WALE will be at the time SHCT disposes of the property portfolio. A short WALE at the time of selling the portfolio could have a negative impact on the sale value of the property portfolio unless Arena was able to negotiate new leases or lease extensions with the tenant.

Attracting a sufficient number of new investors into SHCT to provide liquidity to existing SHCT Unit Holders when there is uncertainty about the length of the life of the trust and the WALE is exerting downward pressure on property values would be difficult.

It is Moore Stephens opinion that Arena is not likely to be able to find sufficient investors to provide liquidity for existing SHCT Unit Holders who might wish to exit SHCT if the life of the fund is extended.

12.6.3 Merger or control transaction with a third party

SHCT Unit Holders have the option to seek a merger or control transaction with a third party, rather than ARF.

There are two listed entities with a mandate to acquire healthcare properties in Australia, Vital Healthcare Property Trust ("VHP") and Generation REIT ("GHC").

VHP is listed on the NZSE and has a market capitalisation of $443 million. At 30 June 2013 VHP had a portfolio of 24 health care properties in New Zealand and Australia with a book value of $618.7 million and WALE of 11.8 years. VHP has consistently outperformed the S&P/ASX 200 A-REIT Index, the NZSE 50 Index and the NZ Property Gross Index over 5 to 10 years. At 30 June 2013 VHP had gearing of 42% against covenants of 50% and subsequent to year end raised $39.2 million.

VHP has the size and capacity to takeover SHCT or acquire SHCT's property portfolio, which would represent 8.11% of a combined property portfolio, although the size of the individual assets, geographic concentration and portfolio WALE may make the portfolio less attractive to VHP. VHP has a growth by development and acquisition strategy although VHP has stated that its focus for FY2014 will be on brownfield developments and medium term lease expiries.

GHC is listed on the ASX with a market capitalisation of $98.8 million. At 30 June 2013 GHC had a portfolio of 10 health care properties and development sites in Australia with a book value of $224.7 million, a WALE of 11.9 years and gearing of 47.6%.

GHC has stated that seeking additional growth opportunities that add value to the fund is one of the 6 key areas of focus for the next 12 months. SHCT's property portfolio could be attractive to GHC as it would provide geographic and tenant diversification and a strong Passing Yield. At 30 June 2013 GHC had $10.8 million headroom in existing debt facilities and $3.5 million in cash. GHC has a development pipeline of $185 million to $235 million at the Casey and Frankston development sites. Capital expenditure commitments in the 30 June 2013 annual report total $12.16 million. During FY2013 GHC funded acquisitions via a fully underwritten institutional placement and entitlement offer.

A control transaction with VHP, GHC or any other third party would likely require a capital and/or debt raising and would require substantial operational, property, legal and financial due diligence by both parties, the transaction costs of which would exceed those incurred in the Proposed Transactions.

The key concern related to a third party control transaction is timing. A transaction with a third party would require negotiation between Arena and the other party, potential debt and/or equity raisings, due diligence and, potentially, security holder meetings. If a merger or control transaction with a third party did not proceed, Arena would be left with very little time to sell the property portfolio by the wind up date of 27 August 2014.

There are no potential transactions with third parties involving SHCT currently being considered by Arena therefore it is not possible to know the terms on which a transaction might occur. It is likely that a transaction would occur at the NTA value of SHCT, subject to valuations, of $1.02 and provide a result for SHCT Unit Holders that is less beneficial than the Proposed Transactions.

In our opinion, after the implementation of the Proposed Transactions, SHCT Non-associated Unit Holders will be better off than under an alternative transaction.

12.7 Conclusion

In Moore Stephens' view, SHCT Non-associated Unit Holders will be better off if the Proposed Transactions are implemented than if they are not. The Proposed Transactions are in the best interest of, and are fair and reasonable to, SHCT Unit Holders.

Appendix 1: Financial Services Guide – 31 October 2013

1. Moore Stephens Corporate Finance (Melb) Pty Ltd ("Moore Stephens") is a corporate authorised representative of **Moore Stephens Consulting (Melb) Pty Ltd,** the holder of Australian Financial Services Licence ("AFSL") No. 236556.

2. Financial Services Guide

The Corporations Act 2001 (the "Act") requires Moore Stephens to provide this Financial Service Guide ("FSG") in connection with its provision of an Independent Expert's Report ("Report") which is included in the Notice of General Meeting and Explanatory Memorandum provided by Arena REIT and Sydney Healthcare Trust (the "Trusts"). The FSG is designed to assist retail clients in their use of the general financial advice and to ensure that we comply with our obligations as a financial service licensee.

3. Financial services we are licensed to provide

The AFSL that we hold authorises us to provide financial product advice in relation to a broad range of services, including providing financial product advice in relation to various financial products such as interests in managed investments, securities, superannuation products, insurance products, life products, managed investment schemes, government debentures, life products, stocks or bonds, and deposit products.

4. General financial product advice

The report contains only general financial product advice as it was prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general financial advice having regard to your own objectives, financial situation and needs before you act on this advice.

Where the general financial advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Remuneration

Moore Stephens client are the Trusts to which it provides the Report. Moore Stephens charges fees for providing reports. These fees are agreed with, and paid by, the Trusts who engages us to provide the report.

Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the Trusts who engages us.

We do not pay commissions or provide any other benefits to any parties or persons for referring customers to us in connection with the reports that we are licensed to provide.

6. Independence

Moore Stephens is required to be independent of the Trusts.

Neither Moore Stephens Corporate Finance (Melb) Pty Ltd, nor any of its directors, authorised representatives, employees or related entities, have any financial interest in the outcome of the Proposed Transaction of the Trusts, other than a fee in connection with the preparation of our Report for which professional fees of approximately $70,000 (excluding GST) will be received.

No pecuniary or other benefit, direct or indirect, has been received by Moore Stephens, Moore Stephens Melbourne Pty Ltd, their Directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

7. Complaints Resolution

The law requires Moore Stephens to have arrangements in place to compensate certain persons for the loss or damage they suffer from certain breaches of the Act by its representatives. Moore Stephens has internal compensation arrangements, as well as professional indemnity insurance that satisfy these requirements.

Internal complaints resolution: If you have concerns with the advice provided, please contact your adviser. If your concerns are not addressed in a timely manner, please send your complaint in writing to The General Manager, Moore Stephens Melbourne Pty Ltd, Level 10, 530 Collins St, Melbourne, VIC 3000.

External dispute resolution: If your complaint remains unresolved to your satisfaction, you have the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company established to provide advice in relation to the financial services industry.

Financial Ombudsman Service
GPO Box 3, Melbourne VIC 3001
Toll free: 1300 780 808
www.fos.org.au

The Australian Securities and Investment Commission also has a freecall Infoline on 1300 300 630 which you may want to use to make a complaint and obtain information about your rights.

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Appendix 2: Disclosures

Qualifications

Moore Stephens Corporate Finance (Melb) Pty Ltd ("MSCF") is a wholly owned subsidiary of Moore Stephens and a corporate authorised representative of Moore Stephens Consulting (Melb) Pty Ltd, which holds the appropriate Australian Financial Services Licence under which this Report has been issued. The individuals responsible for preparing this Report on behalf of Moore Stephens Corporate Finance (Melb) Pty Ltd are Grant Sincock and Kevin Neville.

Grant Sincock is a partner in Moore Stephens, an authorised representative of Moore Stephens Consulting (Melb) Pty Ltd and a Director and head of MSCF. Grant is a member of the Institute of Chartered Accountants in Australia and CPAs. He has a Bachelor of Commerce and over 17 years experience preparing Independent Expert's Reports and company and business valuations as well as conducting financial due diligence assignments, preparing Investigating Accountant's Reports and conducting reviews of forecast financial information. Grant was responsible for the preparation of this Report.

Kevin Neville has been a partner in Moore Stephens for 28 years and held the role of managing partner of Moore Stephens Melbourne for 7 years until 2010. Kevin is currently the head of Moore Stephens External Audit Division and is a member of the Institute of Chartered Accountants in Australia and the CPAs. Kevin has extensive experience in preparing expert reports and valuations. Kevin was responsible for the quality review of this Report.

Independence

Prior to accepting this engagement, we considered our independence with reference to ASIC Regulatory Guide 112 "Independence of Experts". In our opinion, we are independent of ARF and the SHCT and the outcome of the implementation of the Proposed Transactions.

Neither MSCF, its related entities, any Director thereof nor any individual involved in the preparation of this Report has any financial interest in the outcome of the Proposed Transactions which could be considered to affect our ability to render an unbiased opinion. MSCF will receive a fee of approximately $70,000 (exclusive of GST) for the preparation of this Report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Proposed Transaction.

Neither Moore Stephens, its related entities, any Director thereof nor any individual involved in the preparation of the Report received any commissions or other benefits in connection with the preparation of this Report, except for the fees referred to above.

Other than this Report, neither MSCF nor its related entities has been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum, Product Disclosure Statement or any other document prepared in respect of the Proposed Transactions. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Memorandum as a whole or other documents prepared in respect of the Proposed Transactions.

Draft copies of this Report were provided to the Directors, management and advisers of Arena for them to review the factual accuracy of the Report. The opinions in the Report were not subject to review by those parties and remain the responsibility of MSCF. Changes made to this Report as a result of the reviews for factual accuracy have not changed the conclusions reached by us.

Disclaimer

It is not intended that this Report should be used or relied upon for any purpose other than to assist Unit Holders to decide whether or not to approve the Proposed Transactions. MSCF expressly disclaims any liability to any ARF or SHCT Unit Holder who relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose whatsoever.

Statements and opinions contained in this Report are given in good faith. Our Report is based on financial and other information provided by Arena and public and non-public information. A listing of this information is included in Appendix 4 of this Report. In forming our opinions we have reviewed and relied on this information and believe that the information provided is reliable, accurate, complete and not misleading. Although this information has been evaluated through analysis, enquiry and review to the extent we regard as appropriate for the purposes of this Report, inherently such information is not always capable of independent verification. We have no reason to believe that material facts or information have been withheld by Arena. Our procedures and enquires do not constitute an audit, extensive examination or "due diligence" investigation. None of these assignments have been undertaken by MSCF.

Our opinion is based on market, economic and other factors existing at the date of this Report. Such conditions can change significantly in short periods of time. We in no way guarantee, explicitly or otherwise, whether future profits will be achieved. Budgets, forecasts and projections are inherently uncertain. They include assumptions regarding future events which are beyond the control of Arena. Actual results may vary significantly from forecasts and budgets which will impact the valuation of units.

The advice provided in this Report does not constitute legal or taxation advice to the ARF and SHCT Unit Holders, or any other party.

Indemnity

Arena have agreed to indemnify and hold harmless MSCF, its directors, officers, employees, servants, agents or affiliated organisations ("Associates") or any other person who is sought to be made liable against any and all losses, claims, damages and liabilities arising out of or related to the performance of these services and which arise from reliance on information received which is provided by the Providers or material information any of the Providers had in their possession and was not provided to us.

Consent

MSCF consents to the inclusion of this Report in the form and context in which it is included with the Notice of General Meetings and Explanatory Memorandum to be issued to the Unit Holders of ARF and SHCT. Neither the whole nor any part of this Report nor any reference thereto may be reproduced or included in any other document without the prior written consent of MSCF as to the form and context in which it appears.

Appendix 3: Overview of Equity Valuation Methodologies

Discounted Cash Flow

DCF approaches are premised directly on the principle that the value of a company is dependent upon the future economic benefits it can generate.

This method indicates the value of a business enterprise based on the present value of the free cash flows that the business is expected to generate in the future. Such cash flows are discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the forecast cash flows.

This approach is typical for companies with:

- high levels of growth;
- reasonably accurate forecast cash flows; and
- earnings or cash flows that are expected to fluctuate from year to year and irregular capital expenditure requirements.

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flow that will be generated from the business over its life. The cash flows are discounted at the Weighted Average Cost of Capital ("WACC") to reflect the risk involved with achieving the forecast cash flows.

As the discounted cash flow approach relies on the availability of long-term earnings and cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned.

Market Based Approaches

Market based approaches estimate the value of a company through reference to the market value of comparable companies and trading in the company's own shares. There are a number of variants including the following four approaches:

Capitalisation of Future Maintainable Earnings ("CFME")

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiple of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

- The capitalisation of future maintainable earnings is the most appropriate method used to value an existing operating enterprise. It is usually applied when the business has an operating history and consistent earnings trend that will provide a good indication as to the level of future profitability of the business. When using this methodology, we attempt to assess the expected "future" earnings that the business will generate. The earnings must be normalised and must not include one-off gains or losses.

- The earnings multiple used to value a business reflects the risk of investing in the business and the investor's required return on the investment. Many businesses or companies are valued or compared on reported price earnings ratios, which determines the value based upon a multiple of net profit after tax. EBITDA (earnings before interest, tax, depreciation and amortisation), EBITA (earnings before interest, tax and amortisation) or EBIT (earnings before interest and tax) or some other earnings substitute can also be used in determining a valuation for a company.

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- EBITDA, EBITA and EBIT multiples are common to value whole businesses and remove the effect of, or inconsistencies of, gearing, which is often a business decision of the owner. EBITDA and EBITA multiples are preferable where amortisation of goodwill and depreciation can significantly distort earnings results of similar businesses.

The determination of the multiple is by reference to listed comparable peer companies and guideline sale transactions with peer companies. A liquidity discount is applied to the multiples derived from listed peer data when valuing a privately held company.

Dividend based valuations

Dividend based valuations, such as the dividend discount model ("DDM"), involve the capitalising the future dividend payments of the company. The capitalisation rate reflects the investor's required rate of return. This method is appropriate for companies with:

- Stable growth rates and profits;
- High payout ratios that are an approximation of free cash flows to equity; and
- Stable leverage.

Under the DDM, shares are valued as the discounted value of future dividend payments. Its underlying theory is that the cash flows derived from ownership of shares is represented by dividend payments, and therefore the value of the share is the present value of these cash flows.

ASX market price valuation

ASX market price valuation is an indication of value if:

- The shares are actively traded; and
- The market is assumed to be efficient.

This valuation approach can be used at the prevailing spot price at the valuation date or VWAP across a given period up to the valuation date, such as 30, 60 or 90 days.

Industry multiples

Industry benchmarks are sometimes used in the place of detailed financial results and the market place in which the business operates when assessing a specific industry.

There are a number of pitfalls that can arise through the use of such non-scientific rules of thumb without the backup information and analysis of financial information and other key elements of the business including:

- Key personnel and contractual obligations.
- Failure to consider future growth or decline of the business when applying industry multiples.
- Industry multiples may result in acquiring a business at a price that results in a low rate of return when considering the relative risks.
- By not taking into account business cycles or broader economic factors that can result in prices and values being inflated or deflated depending on the current state of the economy.
- Disparity between profitability levels of differing businesses within the same industry when relying on simple measures of turnover.

Despite the above, it is recognised and acknowledged that in some circumstances, the adoption of an industry benchmark can be an accurate means of determining whether a price or value nominated is within an acceptable range of the "true worth" of the business as it is the accepted basis for the majority of sale and purchase transactions in that particular industry.

Asset Based Approach

This method analyses the value of the assets used in the business. This is done by separating the business into assets which can be readily sold and determining a value for each asset based on the net proceeds that could be obtained in the market place if the asset were sold. The value of the assets can be determined in the context of:

Table A5.1

Orderly realisation:	This method estimates the value by determining the net assets of the underlying business including any allowances or costs involved in carrying out the sale. This method is not a valuation under a forced liquidation where the value could be materially different from their market value
Liquidation:	This method is based on the premise of a forced sale in terms of liquidation. In this case, the price the assets could be sold at (and hence value) is typically materially lower than their market value
Going concern:	This method estimates the value of the net assets on a replacement cost basis, but does not consider realisation costs.

This approach is typically used for asset rich companies, dormant companies or loss making companies. The asset based approach is usually inappropriate for businesses in which intangible assets are significant, the value of which is usually best determined by reference to future income streams.

Appendix 4: Sources of Information

In preparing this Report we had access to and relied upon the following major sources of information:

- Arena's forecast model of ARF, SHCT and the Stapled Group;
- ARF and SHCT unit registers;
- ARF board papers and minutes;
- ARF Constitution;
- ARF property valuations;
- ARF's annual financial statements for the years ended 30 June 2011, 2012 and 2013;
- ARF's management accounts as at 30 September 2013;
- ARF's Notice of Meeting and Explanatory Memorandum;
- Australian Bureau of Statistics;
- Australian Government Department of Education, Employment and Workplace Relations, *Child Care in Australia* (August 2013);
- IBISWorld Industry Reports;
- National Heart Foundation of Australia;
- SHCT Constitution;
- SHCT property valuations;
- SHCT's annual financial statements for the years ended 30 June 2011, 2012 and 2013;
- SHCT's management accounts as at 30 September 2013;
- SHCT's Notice of Meeting and Explanatory Memorandum;
- The draft Arena REIT and Sydney Health Care Trust Product Disclosure Statement;
- Public information and ASX announcements regarding comparable companies; and
- Other publicly available information including from websites and newspapers.

We did not perform an audit, review or any other verification of the information presented to us. Accordingly we express no opinion on the reliability of the information supplied to us.

Appendix 5: Glossary

Term	Definition
ABS	Australian Bureau of Statistics
Act	Corporations Act 2001
Admission Date	ARF's admission to the S&P/ASX 300 index on 20 September 2013
AFSL	Australian Financial Services Licence
AIFRS	Australian International Financial Reporting Standards
APF	Arena Property Fund
A-REIT	Australian Real Estate Investment Trust
Arena	Arena Investment Management Limited
ARF	Arena REIT
ARF Explanatory Memorandum	The ARF Explanatory Memorandum dated 31 October 2013 for the shareholder meeting on Monday 9 December 2013
ARF Unit Holders	An investor who owns one or more units in ARF as at the date of this Report
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CBRE	CBRE, Inc.
CFME	Capitalisation of Future Maintainable Earnings
CGT	Capital Gains Tax
Child Care Benefit	Income tested benefit introduced in 2000 which allows parents to receive a maximum $3.99 per hour for non-school aged children in up to 50 hours of child care per week
Child Care Rebate	Rebate introduced in 2004 which refunds 50% of child care costs up to a maximum of $7,500 per child
Colliers	Colliers International Australia
DCF	Discounted Cash Flow
DDM	Dividend Discount Model
DPU	Dividends Per Unit
EBIT	Earnings Before Interest and Tax
EBITA	Earnings Before Interest, Tax and Amortisation
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPU	Earnings Per Unit
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial Year
GDP	Gross Domestic Product

Term	Definition
GHC	Generation REIT
Goodstart	Goodstart Early Learning Ltd
GST	Goods and Services Tax
IBISWorld	IBISWorld Pty Ltd
IPO	Initial Public Offering
Medicare	Australia's publicly funded universal health care system introduced in 1975
Medicare Levy	A 1% to 1.5% tax on those without health insurance in Australia
Moore Stephens or MSCF	Moore Stephens Corporate Finance (Melb) Pty Ltd
New Units	New ARF units and new SHCT units to be issued to SHCT Unit Holders and ARF Unit Holders (respectively) under the Stapling Proposal
Non-associated SHCT Unit Holders	SHCT Unit Holders other than the Arena Property Fund
NSW	New South Wales
NT	Northern Territory
NTA	Net Tangible Assets
NZ	New Zealand
NZSE	New Zealand Stock Exchange
NZSE 50 Index	The New Zealand Stock Exchange 50 largest stocks by free float market capitalisation index
NZSE Property Gross Index	An index which tracks the performance of property stocks on the NZSE
Passing Yield	The ratio of the total annual rent to the carrying value
Proposed Transactions	1. The stapling of the units of SHCT to the units of ARF at a ratio of one SHCT unit for one ARF unit. 2. An offer for existing SHCT Unit Holders to redeem all or a part of their entitlement to listed Stapled Securities for cash consideration equivalent to $1.15 per SHCT unit held before the Stapling.
PRY	Primary Health Care
Put Option	A contract to exchange an asset for a specified price on a predetermined date where the holder has the right, but not the obligation, to exercise the contract
PwC	PricewaterhouseCoopers
QLD	Queensland
Redemption Offer	The offer to SHCT to redeem part or all of their investment for cash consideration
Resolution 1	Resolution 1 in the SHCT Explanatory Memorandum and ARF Explanatory Memorandum regarding the Stapling Proposal
RG111	ASIC Regulatory Guide 111 *"Content of expert reports"*
S&P/ASX 200 A-REIT Index	Standard and Poor's Australian Securities Exchange 200 A-REIT index which tracks the performance of Australian REITs listed on the ASX

Term	Definition
S&P/ASX 300	Standard and Poor's Australian Securities Exchange 300 market capitalisation weighted and float-adjusted stock market index
SA	South Australia
SHCT	Sydney HealthCare Trust
SHCT Constitution	The Constitution of the Sydney Health Care Trust dated 20 June 2002, as amended
SHCT Explanatory Memorandum	The SHCT Explanatory Memorandum dated 30 October 2013 for the shareholder meeting on Monday 9 December 2013
SHCT Unit Holders	An investor who owns one or more units in SHCT as at the date of this Report
Stapled Group	The group formed as a result of the Stapling of units in ARF to SHCT units
Stapled Securities	One ARF unit stapled to one SHCT unit
Stapling	The stapling of ARF units and SHCT units to form the Stapled Group, such that the two units cannot be traded separately
Stapling Proposal	The Stapling Proposal to staple units in ARF to units in SHCT to create the Stapled Group as described in the SHCT Explanatory Memorandum and the ARF Explanatory Memorandum
Stapling Record Date	Tuesday 17 December 2013
TAS	Tasmania
Trusts	Arena REIT and the Sydney Health Care Trust
Valuation Date	22 October 2013
VHP	Vital Healthcare Property Trust
VIC	Victoria
VWAP	Volume Weighted Average Price
WA	Western Australia
WACC	Weighted Average Cost of Capital
WALE	Weighted Average Lease Expiry

6 Resolution 2: General Constitutional Changes

6.1 Overview

If Resolution 1 is not approved by ARF Investors or if SHCT Investors do not approve the Stapling Proposal, Arena still wishes to seek the approval of ARF Investors to effect the General Constitutional Changes. These changes are to reflect the transition of ARF from an unlisted entity to a listed entity, as foreshadowed in ARF's IPO PDS.

6.2 What are the proposed amendments?

The General Constitutional Changes are as described in Section (b) of this Document.

6.3 Key benefits of approving Resolution 2

If Resolution 2 is approved:

- the responsible entity of ARF will be able to issue ARF Units at a price by reference to the ASX trading price of ARF Units; and
- the responsible entity of ARF will have the power to redeem unmarketable parcels in accordance with the Listing Rules which may reduce the administrative costs of maintaining small unit holdings.

6.4 What happens if Resolution 2 is not approved?

If Resolution 2 is not approved, the General Constitutional Changes will not be made. The consequences of this include that the responsible entity of ARF will not be able to issue ARF Units at a price by reference to the ASX trading price of ARF Units.

6.5 Directors' recommendation

The Arena Board considers Resolution 2 (General Constitutional Changes) to be in the best interests of ARF Investors and unanimously recommends ARF Investors vote in favour of Resolution 2.

7 Additional information

7.1 Transaction Steps

If the Stapling Proposal is approved by ARF Investors and SHCT Investors, the Stapling Resolution will bind Arena and each ARF Investor whether or not they attend the Meeting or vote for or against the Resolutions. The approval will empower Arena to implement the steps required to effect the Stapling Proposal.

In order to implement the Stapling Proposal, the following detailed steps will occur:

- (**ASX Listing**) Arena will apply for the admission of the Stapled Group to the official list of ASX and the official quotation of the Stapled Securities on ASX within 7 days of the date of the PDS. It is expected that the Stapled Securities will be issued on Wednesday, 18 December 2013. The issue of Stapled Securities will be conditional upon ASX approval for admission of the Stapled Group.
- (**Interim distribution to ARF Investors**) Arena, in its capacity as responsible entity of ARF (**ARF RE**), will make an Interim Distribution to ARF Investors as at the Interim Distribution Record Date of 1.70 cents per ARF Unit in respect of the distribution period from 1 October 2013 to 10 December 2013.
- (**Capital Return to SHCT Investors**) Arena, in its capacity as responsible entity of SHCT (**SHCT RE**), will make a capital return to SHCT Investors as at the Stapling Record Date of $1.016849 per SHCT Unit with the aggregate proceeds of the capital return to be applied by SHCT RE on behalf of holders of SHCT Units as set out below.
- (**Capital return to ARF Investors**) ARF RE will make a capital return to ARF Investors as at the Stapling Record Date of $0.133151 per ARF Unit with the aggregate proceeds of the capital return to be applied by ARF RE on behalf of holders of ARF Units as set out below.
- (**Application for ARF Units and SHCT Units**) Each:
  - ARF Investor on the Stapling Record Date authorises and directs ARF RE and ARF RE must apply on behalf of that holder, the proceeds of the capital return described above in subscription for their respective proportion of 206,342,963 SHCT Units; and
  - SHCT Investor on the Stapling Record Date authorises and directs SHCT RE and SHCT RE must apply on behalf of that holder, the proceeds of the capital return as described above in subscription for their respective proportion of 27,019,634 ARF Units;

  and:

  - SHCT RE and ARF RE (as the care may be) may execute any required application or subscription forms as agent and attorney for the relevant SHCT Investor and ARF Investor, to become a member of each of ARF and SHCT (as applicable).
- (**Allotment of ARF Units and SHCT Units pursuant to the Stapling**):
  - Upon receipt of an application by SHCT RE (on behalf of SHCT Investors) (each a **New ARF Holder**) together with payment for the total issue price of $1.016849 per ARF Unit, ARF RE must allot to each relevant New ARF Holder, the number of ARF Units requested in their application; and
  - Upon receipt of an application by ARF RE (on behalf of holders of ARF Units) (each a **New SHCT Holder**) together with payment for the total issue price of $0.133151 per SHCT Unit, SHCT RE must allot to each relevant New SHCT Holder, the number of SHCT Units requested in their application.
- (**Stapling**) Upon the conclusion of the above steps, the provisions in the constituent documents of SHCT and ARF which enables stapling of SHCT Units with ARF Units (to comprise **Stapled Securities**) will take effect.
- (**Redemption of entitlement to Stapled Securities in accordance with Redemption Offer**) Upon the conclusion of the above steps, the SHCT Investors who elected for redemption will have their entitlements in respect of Stapled Securities redeemed for $1.15 per Stapled Security.
- (**Issue of Units and Updating of Register**) Upon the conclusion of the steps above:
  - ARF RE must enter in the ARF Register the name and address of each relevant New ARF Holder (excluding Exiting SHCT Unitholders in respect of entitlements redeemed under the Redemption Offer) as the holder of New ARF Units issued to it;
  - SHCT RE must enter in the SHCT Register the name and address of each relevant New SHCT Holder as the holder of New SHCT Units issued to it; and
  - SHCT RE must amend the SHCT Register to cancel SHCT Units held by the Exiting SHCT Unitholders.

- (**Sale of Stapled Securities held by Foreign Investors**) Arena will procure that the number of Stapled Securities held by Foreign Investors as at the Stapling Record Date will be disposed of and Arena will remit the net proceeds to the Foreign Investor and may execute any required unit transfer form as agent and attorney for the relevant Foreign Investor.

7.2 ASIC relief and ASX waivers and confirmations

Please refer to Section 13.2 of the PDS in respect of the ASIC relief and ASX waivers and confirmation which it is expected will be obtained in order to facilitate the Stapling Proposal.

7.3 Sale Facility for Foreign Investors

Given the small number of Foreign Investors in ARF (approximately 0.2017% of ARF Units) and the legal restriction related to participation in the Stapling Proposal by ARF Investors in jurisdictions outside of Australia and New Zealand, if the Stapling Proposal is implemented, Foreign Investors will not receive Stapled Securities. Instead, Foreign Investors will have the Stapled Securities to which they would otherwise be entitled sold through the Sale Facility in such manner and at such price and on such terms as the Sale Nominee determines in good faith (and at the risk of Foreign Investors). The Stapled Securities to be sold by the Sale Nominee will be sold on market and there can be no assurance as to the price at which Stapled Securities will be sold. Sale proceeds will be paid by electronic funds transfer (if details are held by the Registry) or by cheque.

7.4 Interests of Arena and Arena Directors

Arena Property Fund (APF), of which Arena is also the responsible entity, holds 12,672,684 SHCT Units (approximately 46.9% of all SHCT Units). Arena, in its capacity as responsible entity of APF, will redeem all of its holding for cash under the Redemption Offer, which at $1.15 equates to approximately $14.57 million. MSREF VII Global holds an indirect interest in APF.

MSREF VII Global also indirectly holds 26.95 million ARF Units. Following the implementation of the Stapling Proposal, it will hold 26.95 million Stapled Securities. This equates to approximately 11.5% of the Stapled Securities on issue after implementation of the Stapling Proposal (but before processing the Redemption Offer). MSREF VII Global has previously agreed to escrow its ARF Units for a period of 6 months from the date of ARF's listing on ASX. This period will expire at midnight on 12 December 2013.

As at the date of this Document, Directors of Arena held ARF Units but not SHCT Units (as shown in the table below) and will hold Stapled Securities following implementation of the Stapling Proposal.

Name	ARF Units
David Ross	200,000
Dennis Wildenburg	150,000
Simon Parsons	200,000
James Goodwin	500,000
Bryce Mitchelson	749,000

Neither the Directors nor APF will be entitled to vote at the Meeting.

7.5 Privacy

Information gathered by Arena to implement the Stapling Proposal or in relation to the Meeting may be personal information for the purposes of the Privacy Act. Arena as the responsible entity of ARF (and the Registry on its behalf) collects, holds and uses that personal information to implement the Stapling Proposal, service your needs as an investor, provide facilities and services that you request and to administer ARF. The Corporations Act requires certain particulars of security holders to be collected and maintained in a public register.

Access to information may also be provided to Arena's agents and service providers on the basis that they deal with such information as required by law. If you do not provide the information requested of you in the Registry may not be able to process your Proxy Form.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Arena. You can request access to your personal information by telephoning or writing to Arena. You can access Arena's privacy policy at www.arenainvest.com.au.

8 Notice of Meeting of ARF Investors

Notice is given by Arena Investment Management Limited ACN 007 235 879) ("**Responsible Entity**", "**Arena**") that a meeting ("**Meeting**") of ARF Investors of Arena REIT (ARSN 106 891 641) ("**ARF**") will be held at:

Time:	12.00pm (AEDT)
Date:	Monday, 9 December 2013
Place:	Spring Street Conference Centre, Training rooms 7 & 8 1 Spring Street, Melbourne, Victoria 3000

The business to be considered at the Meeting is as follows:-

SPECIAL BUSINESS: RESOLUTION 1: STAPLING PROPOSAL RESOLUTION

To consider, and if thought fit, pass the following resolution as a **special resolution:**

Resolution –

"Subject to the passing of the SHCT Stapling Resolution, the ARF Constitution be amended (in accordance with section 601GC(1)(a) of the Corporations Act 2001 (Cth)) in accordance with the draft constitution submitted to the meeting, marked the "Tenth Supplemental Deed" and signed by the Chairman of the Meeting for the purposes of identification, with effect on and from the Effective Time and that the responsible entity of ARF be authorised execute and lodge with the Australian Securities and Investments Commission a supplemental deed to give effect to these amendments to the ARF Constitution and to undertake all necessary actions to implement the Stapling Proposal by effecting the Transaction Steps as set out in this Document."

RESOLUTION 2: GENERAL CONSTITUTIONAL CHANGES RESOLUTION

To consider, and if thought fit, pass the following resolution as a **special resolution:**

Resolution –

"If the Stapling Resolution is not approved, the ARF Constitution be amended (in accordance with section 601GC(1)(a) of the Corporations Act 2001 (Cth)) in accordance with the draft constitution submitted to the meeting, marked the "Ninth Supplemental Deed" and signed by the Chairman of the Meeting for the purposes of identification, with effect on and from the Effective Time and that the responsible entity of ARF be authorised to execute and lodge with the Australian Securities and Investments Commission a supplemental deed to give effect to these amendments to the ARF Constitution."

CHAIRMAN

Under the Corporations, Arena is entitled to appoint a person to chair the Meeting. Arena intends to appoint David Ross (Chairman of the Arena Board) as Chair of the Meeting.

VOTING EXCLUSION STATEMENT

In relation to Resolution 1 and Resolution 2, in accordance with the Corporations Act, Arena and its associates are not entitled to vote their interest on a resolution if they have an interest in the matter other than as a member.

The Chair may disregard votes cast by such persons.

However, the Chair need not disregard a vote if:

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

VOTING ENTITLEMENT

It has been determined that under regulation 7.11.37 of the Corporations Regulations 2001 (Cth), for the purposes of the Meeting, ARF Investors registered as holders of ARF Units as at 12.00pm (AEDT) on Saturday, 7 December 2013, will be entitled to attend and vote at the Meeting (subject to any voting exclusion).

Joint holders of ARF Units

If any ARF Units are jointly held, only one of the joint holders is entitled to vote at the Meeting. If more than one ARF Investor votes in respect of a jointly held ARF Unit, only the first vote is counted. If it is not practical to determine which was first, the first named ARF Investor on the register may exercise the right to vote to the exclusion of the other joint holders.

REQUIRED MAJORITY

Both Resolution 1 and Resolution 2 are special resolutions and will be passed if 75% or more of the votes cast by ARF Investors present (in person or by proxy) and eligible to vote are cast in favour of the resolutions.

Voting on the Resolution will be conducted by way of a poll. Each ARF Investor who is present in person or by proxy shall have voting entitlement according to the value of each ARF Unit held in ARF. You need not exercise all of your votes in the same way or cast all of your votes.

QUORUM

Under the ARF Constitution, the quorum for a meeting is two ARF Investors present in person or by proxy. No business other than the election of the chairman (if applicable) and the adjournment of a meeting may be transacted at a meeting unless a quorum is present when the meeting proceeds to business. If the quorum is not present within 30 minutes after the scheduled time for the Meeting, the Meeting will be adjourned as Arena directs.

RIGHT TO APPOINT A PROXY

An ARF Investor has a right to appoint a proxy to attend and vote at the Meeting on their behalf.

A proxy does not need to be an ARF Investor and can be either an individual or a body corporate.

If you appoint a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the Meeting, in accordance with section 250D of the Corporations Act; and
- provides satisfactory evidence of the appointment of its corporate representative. (See 'Corporate Representative' section below for further details)

You may appoint the Chair of the Meeting as your proxy. If you appoint the Chair as your proxy and do not specifically direct the Chair how to vote on a particular resolution, you will be deemed to have directed the Chair to vote in favour of that resolution.

An ARF Investor may appoint 1 or 2 proxies. If an ARF Investor appoints 2 proxies, the ARF Investor may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number is specified, each proxy will be entitled to exercise half the votes held by that ARF Investor.

The Proxy Form, which accompanies this Notice of Meeting, includes instructions on how to vote and appoint a proxy.

To be valid, Boardroom Pty Limited must receive your Proxy Form no later than 12.00pm (AEDT) on Saturday, 7 December 2013.

HOW TO VOTE

By Mail:	Boardroom Pty Limited GPO Box 3993 Sydney NSW 2001	
By Fax	+61 2 9290 9699	
By Hand:	Boardroom Pty Limited Level7, 207 Kent Street Sydney NSW 2000	
Online:	Step 1:	Visit www.boardroomlimited.com.au/vote/arfgm2013
	Step 2:	Enter your holding/investment type.
	Step 3:	Enter your Reference Number
	Step 4:	Enter your Voting Access Code
	The above information is quoted on your proxy form	

CORPORATE REPRESENTATIVES

A company wishing to appoint a person to act as its representative at the Meeting must provide that person with a letter executed in accordance with the company's Constitution and the Corporations Act authorising him or her to act as the member's representative. A 'Certificate of Appointment of Representative' may be obtained from Boardroom Pty Limited.

To be effective, the letter or certificate by which a representative is appointed by the company must be received by Boardroom Pty Limited by 12.00pm (AEDT) on Saturday, 7 December 2013.

Please see the attached Explanatory Memorandum for further information in respect of the proposed resolution.

Issued by Arena Investment Management Limited (ACN 007 235 879) as the Responsible Entity of Arena REIT (ARSN 106 891 641).

EXPLANATORY NOTES TO NOTICE OF MEETING

Please refer to Explanatory Memorandum for further details of the Resolutions.

9 Glossary

Term	Definition
ABN	Australian Business Number.
ACN	Australian Company Number.
Admission Date	The date of admission of the Stapled Group to ASX, expected to be Wednesday 11 December, 2013.
AEDT	Australian Eastern Daylight Time.
AFSL	Australian Financial Services Licence.
ANZ	Australia and New Zealand Banking Group Limited ACN 005 357 522.
APF	Arena Property Fund ARSN 093 304 379.
Arena	Arena Investment Management Limited ACN 077 235 879.
Arena Board	The board of directors of Arena.
ARF	Arena REIT ARSN 106 891 641.
ARF Constitution	The trust deed of ARF dated 27 August 2003 as amended from time to time.
ARF Investor	A holder of an ARF Unit.
ARF's IPO PDS	The product disclosure statement for the initial public offering of ARF dated 13 May 2013.
ARF Unit	An ordinary unit in ARF.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691, the Australian Securities Exchange, or the market operated by it, as the context requires.
Carrying Value	The value of the Properties recorded in the accounts of the relevant Trust as at 30 June 2013.
Childcare Portfolio	The portfolio of Properties owned by ARF.
Citrus	Citrus Investments Services Pty Ltd ACN 154 326 084, the parent company of Arena.
Combined Portfolio	The combination of the Childcare Portfolio and the Healthcare Portfolio.
Constitutions	The ARF Constitution and the SHCT Constitution.
Corporations Act	*Corporations Act 2001* (Cth) and all regulations made pursuant to that Act.
Debt Facility	The debt facility with NAB and ANZ as described in Section 12.3 of the PDS.

Term	Definition
Directors	The directors of Arena.
Document	This Notice of Meeting and Explanatory Memorandum.
DRP	Distribution Reinvestment Plan.
Effective Time	The time immediately following the lodgement with ASIC of the supplemental deed amending the ARF Constitution pursuant to the Resolutions (if approved).
Exiting SHCT Unitholder	A SHCT Investor who accepts the Redemption Offer.
Financial Information	The financial information described in Section 3.
Forecasts	The financial forecasts contained in Section 7 of the PDS and summarised in Section 3 of this Document.
Foreign Investors	An Investor who is not an Australian or New Zealand resident.
Gearing Ratio	Drawn debt divided by total assets.
General Constitutional Changes	The changes proposed to be made to the ARF Constitution as described in Section (b).
General Constitutional Changes Resolution or Resolution 2	Resolution 2 as set out in the Notice of Meeting in Section 8.
Goodstart	Goodstart Early Learning Limited ACN 139 967 794.
Healthcare Portfolio	The portfolio of Properties owned by SHCT.
Independent Expert	Moore Stephens.
Independent Expert's Report	The report prepared by the Independent Expert expressing an opinion as to whether the Stapling Proposal is fair and reasonable and in the best interests of SHCT Investors and ARF Investors.
Interim Distribution	The interim distribution referred to in Section 3.6.
Interim Distribution Record Date	Tuesday, 10 December 2013.
Investors	ARF Investors and SHCT Investors.
Listing	The listing of the Stapled Group on ASX.
Listing Rules	The official listing rules of ASX from time to time as modified by any express written confirmation, waiver, or exemption given by ASX.
Meeting	The meeting of ARF Investors to be held at 12.00pm (AEDT) on Monday, 9 December 2013 at Spring Street Conference Centre, Training rooms 7 & 8, 1 Spring Street, Melbourne Victoria, 3000 and any adjournment of that meeting.
Meeting Date	Expected to be Monday, 9 December 2013.

Term	Definition
Meeting Record Date	12.00pm (AEDT) on Saturday, 7 December 2013.
Moore Stephens	Moore Stephens Corporate Finance (MELB) Pty Ltd ABN 13 068 744 114.
MSREF VII Global	The investment platform sponsored and managed by Morgan Stanley Real Estate Investing which owns Arena via a series of interposed investment vehicles.
NAB	National Australia Bank Limited ACN 004 044 937.
New Units	New ARF Units and New SHCT Units to be issued to SHCT Investors and ARF Investors (respectively) under the Stapling Proposal.
NTA	Net tangible asset value.
Passing Yield	The ratio of the total annual rent to the Carrying Value.
PDS	The Product Disclosure Statement for the Stapled Group issued by Arena and dated 1 November 2013.
Primary Health Care	Primary Health Care Limited ACN 064 530 516.
Primary Lease	The leases for the 6 Properties in the Healthcare Portfolio, the terms of which are summarised in Section 12.4 of the PDS.
Properties	The properties owned by ARF and/or SHCT (as the context requires).
Proxy Form	The proxy form accompanying this Document.
PwC	PricewaterhouseCoopers ABN 52 780 433 757.
Redemption Offer	The offer to SHCT Investors to redeem part or all of their investment for cash if the Stapling Proposal is approved and implemented.
Redemption Price	$1.15 per Stapled Security entitlement.
Registry	Boardroom Pty Limited ABN 14 003 209 836 of Level 7, 207 Kent Street, Sydney NSW 2000.
Resolutions	The Stapling Resolution and the General Constitutional Changes Resolution.
Sale Facility	The facility for the sale by the Sale Nominee of the entitlement to Stapled Securities of Foreign Investors described in Section 7.3.
Sale Nominee	The nominee for the sale of the entitlement to Stapled Securities of Foreign Investors described in Section 7.3.
SHCT	Sydney HealthCare Trust ARSN 101 067 878.
SHCT Investor	A holder of a SHCT Unit.
SHCT Units	An ordinary unit in SHCT.

Term	Definition
Standard Childcare Lease	The standard lease for over 95% of the Childcare Portfolio, the terms of which are summarised in Section 12.4 of the PDS.
Stapled Group	The group formed as a result of the Stapling of ARF Units to SHCT Units as described in this Document.
Stapled Security	One ARF Unit stapled to one SHCT Unit.
Stapled Securityholder	A holder of Stapled Securities.
Stapling	The stapling of ARF Units and SHCT Units to form the Stapled Group, such that the two units cannot be traded separately.
Stapling Commencement Date	The date determined by Arena to be the day on which an ARF Unit and a SHCT Unit will become stapled (if the Stapling Resolution is approved), currently expected to be 18 December 2013.
Stapling Deed	The stapling deed described in Section 12.2 of the PDS.
Stapling Proposal	The proposal to staple ARF Units to SHCT Units to create the Stapled Group as described in this Document.
Stapling Ratio	One ARF Unit : one SHCT Unit.
Stapling Record Date	Expected to be Tuesday, 17 December 2013.
Stapling Resolution or Resolution 1	Resolution 1 as set out in the Notice of Meeting.
Transaction Steps	The transactions steps required to give effect to the Stapling Proposal as set out in Section 7.1.
Trust	Each of ARF and SHCT (collectively, **Trusts**).
WALE	Weighted average lease expiry, weighted by income.

Corporate Directory

Responsible entity
Arena Investment Management Limited
ABN 23 077 235 879 AFSL 233190

Registered office
Level 20
600 Bourke Street
Melbourne Vic 3000

Registered office from Wednesday 6 November 2013
71 Flinders Lane
Melbourne Vic 3000

Arena Investor Services
Telephone: 1800 008 494
Email: info@arenainvest.com.au

Board of Directors of Arena
David Ross (Non-executive Chairman)
Dennis Wildenburg (Non-executive Director)
Simon Parsons (Non-executive Director)
James Goodwin (Joint Managing Director)
Bryce Mitchelson (Joint Managing Director)

Registry
Boardroom (Victoria) Pty Limited
ABN 14 003 209 836
Level 7
297 Kent Street
Sydney NSW 2000

Independent Expert
Moore Stephens Corporate Finance (Melb) Pty Ltd
Level 10
530 Collins Street
Melbourne Vic 3000

Taxation advisor
PricewaterhouseCoopers
Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006

Legal advisor
Hall & Wilcox
Level 30
600 Bourke Street
Melbourne Vic 3000

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