

**Sample tax statement based on 10,000 units for NZ tax resident investors.
For investors who have transferred units during the financial year.**

Dear Investor

**2009–2010 Tax Statement for Australian Unity Property Syndicate No. 3
Account number :**

Thank you for investing with Australian Unity Investments.

Please find enclosed your New Zealand Tax Statement for the year ended 31 March 2010.

The Statement also provides important notes to assist you in completing your tax return for the New Zealand Inland Revenue Department (*IRD*) for the tax year ended 31 March 2010. Please retain the Statement for your records.

We have assumed for the purpose of calculating your taxable income that you have a 31 March balance date (i.e. the standard balance date for New Zealand tax residents) and hold less than 10% of the interests in the Syndicate. If this is not correct, you will need to seek independent tax advice to calculate the appropriate amount of taxable income to include in your tax return.

Further information

We recommend that you speak to a professional tax adviser regarding your tax return.

The New Zealand Inland Revenue website provides a foreign investment fund (*FIF*) calculator that you may also find useful: www.ird.govt.nz/calculators/tool-name/tools-f/calculator-fif-income.html

If you have any questions about your investment, please contact your financial adviser or Investor Services on 0800 89 29 39 (from within New Zealand) or 13 29 39 (from within Australia), or email us at investments@australianunity.com.au.

Yours sincerely



Cameron Dickman
General Manager - Retail
Australian Unity Investments

AUSTRALIAN UNITY PROPERTY SYNDICATE NO. 3
ARSN 093 243 228

NEW ZEALAND TAX STATEMENT
For tax year ended 31 March 2010

Box 1: <i>If you are a De minimis Investor</i>	NZ\$*
Assessable Income	8,025.39
Gain (loss) attributable to A\$/NZ\$ foreign exchange fluctuations on loan for any units disposed of during the tax year ended 31 March 2010	- 0
Bank interest paid by the Syndicate on your behalf	610.10
Australian Withholding Tax	401.01

Box 2: <i>If you are a foreign investment fund (FIF) Investor using the Fair Dividend Rate (FDR) Method</i>	NZ\$*
Assessable Income	- 0 PLUS any Quick Sale Adjustment required (see below)
Gain (loss) attributable to A\$/NZ\$ foreign exchange fluctuations on loan for any units disposed of during the tax year ended 31 March 2010	- 0
Bank interest paid by the Syndicate on your behalf	610.10
Australian Withholding Tax	401.01

Box 3: <i>If you are a FIF Investor using the Comparative Value (CV) Method</i>	NZ\$*
Assessable Income**	24,171.23
REQUIRED ADJUSTMENT If you sold units during the 2010 tax year <i>or</i> If you bought units during the 2010 tax year	Add any proceeds of sale of units to the Assessable Income amount above AND Subtract the cost of units bought from the Assessable Income amount above
Gain (loss) attributable to A\$/NZ\$ foreign exchange fluctuations on loan for any units disposed of during the tax year ended 31 March 2010	- 0
Bank interest paid by the Syndicate on your behalf	610.10
Australian Withholding Tax	401.01

* The exchange rate used for distribution income (included in your Assessable Income figure) was NZ\$1.2219: A\$1.00 for the quarter ended 30 September 2009, NZ\$1.2570: A\$1.00 for the quarter ended 31 December 2009 and NZ\$1.3022: A\$1.00 for the quarter ended 31 March 2010. The exchange rate used for the capital distribution made on 12 November 2009 (included in your Assessable Income figure) was NZ\$1.2580: A\$1.00.

** Subject to the restriction on losses – see below for further detail.

Important notes on completing your New Zealand tax return

The New Zealand taxation treatment of an investment in the Syndicate can be complex and the taxation position of each investor may vary depending on their specific circumstances. Therefore, we recommend that you seek independent tax advice in regard to your specific circumstances and the completion of your New Zealand tax return.

Any reference to the 'Act' is a reference to the New Zealand Income Tax Act 2007, unless otherwise stated.

Repayment of Bank Loan

During the 2010 tax year, the Syndicate sold one of its properties. The sale proceeds were distributed to you and partially used to repay a portion of the bank loan you used to purchase your units in the Syndicate (*Bank Loan*). This reduced the level of your indebtedness in respects of the units you hold in the Syndicate. **Your Income from the Syndicate**

The Australian Unity Property Syndicate No. 3 (the 'Syndicate') is treated as an unlisted Australian company for New Zealand tax purposes. Therefore, your investment in the Syndicate will be treated as a share in an unlisted Australian company.

For New Zealand income tax purposes there are three different methods for New Zealand investors to determine their assessable income from the Syndicate. The three boxes on your tax statement show your alternative income amounts depending on which method you use. Using the information below, you need to:

- (1) determine your investor category (i.e. De minimis Investor, FDR Investor or CV Investor), a description of these categories is provided below; and
- (2) use the *Assessable Income and Australian Withholding Tax* amount in your tax statement that corresponds to your investor category to complete your New Zealand tax return.

Box 1: De minimis Investors

De minimis Investors are natural persons who hold (other than in their capacity as a trustee¹) non-New Zealand equity investments (including units in a unit trust but excluding, amongst other things, shares in most Australian resident companies listed on the ASX All Ordinaries Index) the total cost of which is less than NZ\$50,000. For the purpose of determining the total cost of your portfolio of non-New Zealand equity investments, you have the option of treating the cost of your units in the Syndicate as being equal to half the market value of the units on 1 April 2007, provided that you:

- (1) acquired your units in the Syndicate before 1 January 2000; and
- (2) apply the same treatment to all FIF investments you acquired before 1 January 2000.

De minimis investors are not subject to the FIF taxation regime.

If you are a De minimis Investor you will need to include the *Assessable Income*, shown in Box 1 on the second page of this letter, in the overseas income section of your New Zealand income tax return. The *Assessable Income* is your share of taxable distributions from the Syndicate for the period from 1 April 2009 to 31 March 2010. It also includes the amount the Syndicate repaid on your Bank Loan.

If you transferred or disposed of any units in the Syndicate during the year you may need to include additional amounts in your income tax return.

¹ Unless the trustee meets the requirement in section CQ 5(1)(e) and (5) of the Act.

For De minimis Investors, a gain arising from the sale or transfer of units in the Syndicate should generally not be subject to New Zealand income tax.

However, the gain is taxable if you are a De minimis Investor who deals or trades in such investments, carries on a business of buying and selling such investments, or acquired your investment with an intention of disposing of it. In this case, the amount of assessable income from the sale or transfer of your units in the Syndicate should be equal to the sale price (converted into New Zealand dollars at the exchange rate applicable on the date of sale) less the cost of the units (generally the Australian dollar amount initially paid for the units, converted to New Zealand dollars at the exchange rate at the time of purchase of your units in the Syndicate), if the difference is greater than zero. If the difference is less than zero, you should be entitled to a tax deduction for this amount.

Box 2: FDR Investors

FDR Investors are those who are subject to the FIF taxation regime and who use the FDR method to calculate FIF income.

You will be subject to the FIF regime if you are:

- (1) a non-natural person (such as a company);
- (2) a natural person holding units in the Syndicate as a trustee²; or
- (3) a natural person who is over the de minimis threshold.

The *Assessable Income* amount in Box 2 is equal to 5% of the market value of the Syndicate units you held at the beginning of the income year (*Opening Value*). Under the FDR method (assuming you use only the FDR method to calculate your FIF income), your total FIF income will be equal to the aggregate of:

- (1) the *Assessable Income* amount in Box 2; plus
- (2) 5% of the market value of all other FIF investments you hold at the beginning of the income year; and
- (3) the amount of any 'Quick Sale Adjustment'.

You must calculate a Quick Sale Adjustment with respect to all your FIF investments if you have bought and later sold units during the 2010 tax year. An explanation of how to calculate a 'Quick Sale Adjustment' is provided on the last page of this statement.

Most investors who are subject to the FIF taxation regime will use the FDR method to calculate their income. However, certain investors (described below) may elect to use the CV method to calculate their income.

² Other than a trustee referred to in footnote 1.

Box 3: CV Investors

If you are subject to the FIF taxation regime and you are an individual or the trustee of a family or charitable trust complying with section EX 46(6)(b) of the Act, you may choose to use the CV method to calculate your income from the Syndicate.

If you elect to apply the CV method, it is the *Assessable Income* amount in Box 3 (which includes the amount the Syndicate repaid on your Bank Loan), adjusted for units bought or sold, that you must use in the calculation of your total FIF income from all attributing interests. In addition, if you have:

- (1) sold units during the 2010 tax year, you must add the proceeds of sale to the Assessable Income amount in Box 3; and
- (2) bought units during the 2010 tax year, you must subtract the cost of the units from the Assessable Income amount in Box 3.³

For this purpose, you must convert Australian dollar amounts into New Zealand dollars using:

- (1) the exchange rate on the day on which the amount is derived or incurred; or
- (2) the average of the close of trading spot exchange rates for the 15th day of each month that falls in the income year.

You must use the same currency conversion approach for all currency conversions carried out for FIF interests during the income year and for later income years.

If you choose to use the CV method you:

- (1) cannot claim a net deduction with respect to your FIF investments (in most cases); and
- (2) cannot use the CV method for some FIF investments and the FDR method for others. In practice this means that if you choose to use the FDR method for any FIF investment, you cannot use the CV method for other non-New Zealand equity investments.

Credit for Australian Withholding Tax

Australian Unity Property Limited may have been obliged under Australian tax legislation to withhold non-resident tax (*Australian Withholding Tax*) from distributions to you during the year. Generally you will be entitled to a New Zealand foreign tax credit in respect of this amount of withholding tax, shown on your tax statement as *Australian Withholding Tax*, which can be credited against your New Zealand income tax liability on your income from the Syndicate. The credit is limited to the New Zealand income tax liability on your income from the Syndicate, after deduction of any expenses that relate to earning that income.

Deduction for bank interest

You should be entitled to claim a deduction in the expenses section of your tax return for bank interest paid by the Syndicate on your behalf in respect of the loan arranged for you by the Syndicate to partially fund the purchase of your units (*Bank Loan*).

Repayment of Bank Loan

If you have sold some or all of your units in the Syndicate in this tax year and hence repaid some or all of the Bank Loan, in calculating your assessable income, you should take into account any gain (or loss) attributable to A\$/NZ\$ foreign exchange fluctuations on the Bank Loan, except to the extent you have done so in previous tax years. You should therefore include the foreign exchange

³ Our records indicate that no New Zealand investors acquired additional interests in the Trust in the 2010 tax year. On this basis, you should not need to make this adjustment. If this is not correct, please let us know.

gain (loss) amount shown on the second page of this letter in the appropriate section of your tax return.⁴

If you have not sold some or all of your units in the Syndicate during this tax year, you do not need to make any adjustments as a result of A\$/NZ\$ foreign exchange fluctuations.

How to calculate Quick Sale Adjustment

1. To calculate any 'Quick Sale Adjustment' with respect to your total FIF investments, you need to calculate your 'Peak Holding Method Amount' and your 'Quick Sale Gain Amount' with respect to each of your FIF investments, including your units in the Syndicate.

Peak Holding Method Amount (PHMA)

2. You must calculate your PHMA for each FIF investment. To calculate your PHMA with respect to your Syndicate units, you must calculate the excess (if any) of the greatest number of units you held at any point during the income year over the greater of:
 - the number of units you held at the beginning of the income year; and
 - the number of units you held at the end of the income year.

If there is no excess, your PHMA is zero.

3. You must then multiply any such excess by the average cost of the units you acquired during the year. The PHMA for your Syndicate units is 5% of this amount.

Quick Sale Gain Amount (QSGA)

4. You must then calculate your QSGA for each FIF investment. Your QSGA with respect to your units in the Syndicate is the amount derived (if any) from the sale of units acquired during the year, plus distributions received on those units, minus the weighted average cost of those units acquired during the year.
5. For the purpose of determining whether units sold during the year were also acquired during the year, the last unit acquired is deemed to be the first sold.

Quick Sale Adjustment

6. The Quick Sale Adjustment is the **lesser** of:
 - the aggregate amount of the PHMAs calculated for each FIF investment (including your Syndicate units); and
 - the aggregate amount of the QSGAs calculated for each FIF investment (including your Syndicate units), treating a negative total as being zero,
7. The Quick Sale Adjustment cannot be less than zero.

⁴ If you file your Tax Return as a non-cash basis person (e.g. if you are a company - which cannot not qualify as a "cash basis person" under section EW 54 of the New Zealand Income Tax Act 2007), then you will need to seek independent tax advice to determine the amount of gains/losses attributable to the exchange rate fluctuations that should be included in your Total Taxable Income amount.