

**Sample tax statement based on 5,000 units for NZ tax resident investors.
For investors who elected a return of capital.**

Dear Investor

**2009–2010 Tax Statement for Australian Unity Industrial Property Trust
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 INDUSTRIAL PROPERTY TRUST
NEW ZEALAND TAX STATEMENT
For tax year ended 31 March 2010**

Box 1: If you are a De minimis Investor	NZ\$*
Assessable Income	10,754.46
Gain (loss) attributable to A\$/NZ\$ foreign exchange fluctuations on loan for any units disposed of during the tax year ended 31 March 2010	(777.65)
MER and Trail Rebate (not taxable in all cases - see below for further detail)	0
Bank interest paid by the Trust on your behalf	452.41
Australian Withholding Tax	24.98

Box 2: If you are a foreign investment fund (FIF) Investor using the Fair Dividend Rate (FDR) Method	NZ\$*
Assessable Income	903.02
MER and Trail Rebate (not taxable in all cases - see below for further detail)	0
Gain (loss) attributable to A\$/NZ\$ foreign exchange fluctuations on loan for any units disposed of during the tax year ended 31 March 2010	(777.65)
Bank interest paid by the Trust on your behalf	452.41
Australian Withholding Tax	24.98

Box 3: If you are a FIF Investor using the Comparative Value (CV) Method	NZ\$*
Assessable Income**	(1,110.29)
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***
MER and Trail Rebate (not taxable in all cases - see below for further detail)	0
Gain (loss) attributable to A\$/NZ\$ foreign exchange fluctuations on loan for any units disposed of during the tax year ended 31 March 2010	(777.65)
Bank interest paid by the Trust on your behalf	452.41
Australian Withholding Tax	24.98

* The exchange rate used for distribution income (included in your Assessable Income figure) was NZ\$1.2384: A\$1.00 for the quarter ended 30 June 2009, NZ\$1.2425: A\$1.00 for the quarter ended 30 September 2009, NZ\$1.2504: A\$1.00 for the quarter ended 31 December 2009 and NZ\$1.2974: A\$1.00 for the quarter ended 31 March 2010. The exchange rate used for the capital distribution made on 15 February 2010 (included in your Assessable Income figure) was NZ\$1.2753: A\$1.00.

** We have included the amount you notionally received as a capital return as part of the debt restructure in your Assessable Income figure, as well as taking into account the lower 'Closing Value' of your investment in the Trust as a result of the cancellation of a portion of your interest. Therefore, you do not need to do any additional calculations in respect of the debt restructure. If the Assessable Income is a negative value, it is subject to the restriction on losses – see below for further detail.

*** Our records show that no New Zealand investors have acquired additional units during the 2010 tax year.

Important notes on completing your New Zealand tax return

The New Zealand taxation treatment of an investment in the Australian Unity Industrial Property Trust (the 'Trust') 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.

Debt restructuring

In February 2010, the Trust underwent a debt restructure whereby the debt used to partially fund the investors' interests in the Trust (which was, until then, in the name of the individual investors) was assumed by Australian Unity Property Limited as the Responsible Entity of the Trust.

We refer you to the Explanatory Memorandum dated 6th November 2009 which outlined the detail of the debt restructure. Our records indicate that you participated in **Option 2** as set out in the Explanatory Memorandum. If this is incorrect, please advise us as soon as possible.

As the debt restructure occurred in the 2010 tax year, the New Zealand tax consequences outlined in the Explanatory Memorandum are reflected in this Tax Statement, in addition to the usual New Zealand tax consequences of holding an interest in the Trust.

Your Income from the Trust

The Trust is treated as an unlisted Australian company for New Zealand tax purposes. Therefore, your investment in the Trust 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 Trust. 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 Trust as being equal to half the market value of the units on 1 April 2007, provided that you:

- (1) acquired your units in the Trust 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* amount, shown in Box 1 on the second page of this letter, in the overseas income section of your New Zealand

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

income tax return. The *Assessable Income* is your share of taxable distributions from the Trust for the period from 1 April 2009 to 31 March 2010.

The *Assessable Income* figure also includes the notional return of capital you received as part of the debt restructure. As set out in the Explanatory Memorandum, the return of capital was paid by AUPL to the lender on your behalf to extinguish your outstanding loan with respect to your interest in the Trust.

For New Zealand tax purposes, the payment of your return of capital amount to the lender to release you from your debt obligations is treated as an assessable distribution from the Trust. The return of capital also resulted in a reduction of the value of your interest in the Trust.

If you are a 'revenue account' De minimis investor i.e. you deal or trade in investments such as the interest you hold in the Trust, carry on a business of buying and selling such investments, or acquired your investment with an intention of disposing of it, then you should be entitled to a deduction from the *Assessable Income* figure for the cost of the interest which was reduced as a result of the return of capital (generally the Australian dollar amount initially paid for the extinguished interest, converted to New Zealand dollars at the exchange rate at the time of purchase).

If you are not a revenue account De minimis investor as described in the paragraph above, you are a capital account De minimis investor and you will not be entitled to a deduction for the cost of the interest which was extinguished as a result of the debt restructure.

If you transferred or disposed of any units in the Trust during the year (outside of the debt restructure) you may need to include additional amounts in your income tax return.

For capital account De minimis Investors, a gain arising from the sale or transfer of units in the Trust should generally not be subject to New Zealand income tax. Therefore, you will not need to include a gain arising from the sale of units in your income tax return.

However, the gain is taxable if you are a revenue account De minimis Investor. In this case, the amount of assessable income from the sale or transfer of your units in the Trust 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 Trust), 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 Trust as a trustee²; or
- (3) a natural person who is over the de minimis threshold.

² Other than a trustee referred to in footnote 1.

The *Assessable Income* amount in Box 2 is equal to 5% of the market value of the Trust 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." Our records indicate that no New Zealand investors acquired additional interests in the Trust in the 2010 tax year. On this basis, New Zealand FDR investors should not be required to perform a Quick Sale Adjustment with respect to their interest in the Trust. 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.

On this basis, the amount you notionally received as a capital return as part of the debt restructure will be ignored for the purposes of calculating your New Zealand income tax liability. 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.

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 Trust.

If you elect to apply the CV method, it is the *Assessable Income* amount in Box 3 (adjusted for units bought or sold (excluding the portion of your interest cancelled pursuant to the debt restructure)) that you must use in the calculation of your total FIF income from all attributing interests. We have already included the amount you notionally received as a capital return as part of the debt restructure in your *Assessable Income* figure in Box 3, as well as taking into account the lower 'Closing Value' of your investment in the Trust as a result of the cancellation of a portion of your interest. Therefore, you do not need to do any additional calculations in respect of the debt restructure. However, 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.

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.

Trail and MER Rebate

If you:

- received a Trail and MER Rebate; and
 - had taken a tax deduction for the adviser fees to which this rebate relates in a past tax year,
- you will derive assessable income in tax year ended 31 March 2010 equal to the amount of the rebate (shown in the boxes above) and you should include this amount in your income tax return.

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 Trust. The credit is limited to the New Zealand income tax liability on your income from the Trust, 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 Trust on your behalf (prior to the debt restructure) in respect of the loan arranged for you by the Trust to partially fund the purchase of your units (*Bank Loan*).

Repayment of Bank Loan

As a result of the debt restructure, you have repaid your Bank Loan during the 2010 tax year. Accordingly, 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. You should therefore include the foreign exchange gain (loss) amount shown on the second page of this letter (adjusted for any amounts on account of such fluctuations which you have included in calculating your income in previous tax years) in the appropriate section of your tax return.³

³ 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.