

PROPERTY IMPROVEMENTS LIMITED

TAXATION: WHAT YOU NEED TO KNOW

Taxation treatment in relation to your investment in the Issuer

Tax can have significant consequences for investments. If an investor has queries in relation to tax consequences, the investor should obtain professional advice on these consequences.

The Issuer is intending to register as a portfolio investment entity ("PIE") and a multi-rate PIE as defined in the Income Tax Act 2007. All taxable income and tax credits related to the Issuer's investments must be allocated to you in proportion to your unit holdings in the Issuer, with tax payable at your prescribed investor rate ("PIR"). Losses are retained in the Company and offset against future taxable income.

You need to tell us your PIR and Inland Revenue number

You must provide your Inland Revenue number, your applicable PIR and other details to the Issuer when you subscribe for Shares. If you do not provide these details, your investment in the Issuer will be subject to tax at the 28% PIR. Each year you will be asked to confirm your PIR.

Under the PIE tax legislation, the Issuer will calculate and pay tax on the net income it allocates to you at the following rates (referred to as the prescribed investor rate or PIR).

If you're an individual

At the date of this PDS an individual Investor who is a New Zealand resident will have a PIR of 10.5%, 17.5% or 28% depending upon your taxable income in the previous 2 years.

<i>In either of the two tax years (ending 31 March) immediately before the tax year in question:</i>		
<i>Taxable income was:</i>	<i>And taxable income plus PIE income was:</i>	<i>Then the PIR that applies is:</i>
<i>\$0 - \$14,000</i>	<i>\$0 - \$48,000</i>	<i>10.5%</i>
<i>\$14,001 - \$48,000</i>	<i>\$0 - \$70,000</i>	<i>17.5%*</i>
<i>\$48,001 and over</i>	<i>\$70,001 and over</i>	<i>28%*</i>

*As your PIR is based on your income levels in either of the previous two income years, where you satisfy the criteria for two rates, your correct PIR will be the lower rate.

If you're not an individual

The Issuer will attribute other Investors with the following PIRs:

- 28% for all non-residents;
- 0% for all New Zealand residents that are not individuals, such as companies, unit trusts, superannuation schemes, and charities;
- New Zealand resident trustees (excluding trustees of unit trusts and charitable trusts), the rate elected by the trustee, which must be 0%, 17.5% or 28%; and
- New Zealand resident trustees of testamentary trusts, the rate elected by the trustee which must be 0%, 10.5%, 17.5% or 28%.

If you're subscribing jointly with another person

If you are subscribing for Shares jointly with another person, the investment is to be split and each partner/holder will have their share of attributable income taxed at their individual PIR. The individual IRD numbers for each partner/holder will need to be supplied to the Issuer.

How the Issuer will account for tax on your investments

The tax payable by the Issuer on the net income allocated to you for any given period will depend on the net income allocated to you for that period and your PIR. The Issuer will adjust the amount of a distribution to be paid to you to address the difference in PIRs between shareholders and to reflect the tax paid to the Inland Revenue on a shareholder's behalf. If there are excess tax credits for a period, the Issuer should be able to make additional cash distributions to you on account of that tax credit.

Taxable income is attributed annually to 31 March or at any time you dispose of your investment (or a part of your investment) in the Issuer. If you dispose of your Shares in full, any tax liability on the Issuer's net income attributable to your investment will be deducted from any PIE income attributable to you. If you sell a portion of your Shares during the year, this results in tax being attributed to you in proportion to the amount you have sold.

Taxation legislation and rates of tax change. You should always seek independent professional tax advice on your own personal circumstances.

Further information can be found on the Inland Revenue website: www.ird.govt.nz.

You should note that the Issuer has broad powers to act at its discretion to ensure that the Issuer remains eligible to be a PIE. This includes, for example, the ability to refuse investment or to compulsorily reacquire all or part of your Shares in the Issuer if your continued investment may prejudice the Issuer's PIE eligibility.

Taxation treatment of distributions outside of the PIE regime

If the Issuer is unable to satisfy the eligibility requirements in order to maintain its registration, as a portfolio investment entity, distributions paid by the Issuer (other than on liquidation) will be taxable dividends. The Issuer may attach imputation credits to dividends up to a maximum allowable ratio of 28:72. Any imputation credits attached will be treated as part of the dividend for tax purposes and may be used to satisfy any New Zealand tax liability of a shareholder.

The Issuer may be required to withhold RWT from any dividend it pays.